

**THE STATE OF NEW HAMPSHIRE**  
**BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**  
**PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING**  
**ISSUANCE OF RATE REDUCTION BONDS PURSUANT TO 2015 RESTRUCTURING**  
**AND RATE STABILIZATION AGREEMENT**

**Docket No. DE 17-096**

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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 (“PSNH” or the  
6 “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 PSNH, as well as the filings associated with PSNH’s  
12 Energy Service (“ES”) rate, Stranded Cost Recovery Charge (“SCRC”), Transmission  
13 Cost Adjustment Mechanism (“TCAM”), and Alternate Default Energy (“ADE”) rate.

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

2 A. The purpose of my testimony is to support PSNH's request for a finance order under  
3 RSA Chapter 369-B that authorizes the Company to use a securitized financing to  
4 recover certain costs related to the divestiture of the Company's generation assets. Such  
5 a securitization financing is detailed in the 2015 Public Service Company of New  
6 Hampshire Restructuring and Rate Stabilization Agreement (the "2015 Settlement  
7 Agreement") and was discussed generally as part of the Commission's review and  
8 approval of that Settlement Agreement in Docket No. DE 14-238. PSNH witnesses  
9 Emilie O'Neil and Katrina Niehaus discuss the details of the securitization financing  
10 process. In my testimony, I explain how the principal amount to be securitized will be  
11 calculated; how the recovery of Rate Reduction Bond ("RRB") Charges will be included  
12 in and interact within PSNH's SCRC; how RRB Charges will be allocated amongst  
13 PSNH's rate classes; and changes necessary to the PSNH Tariff to reflect and implement  
14 the securitization financing.

15 **Q. Please provide an overview of what costs will qualify as RRB Costs.**

16 A. RRB Costs are defined in RSA 369-B:2, XIV as costs incurred by and obligations of an  
17 electric utility, and designated as such by the Commission, and may include, but not be  
18 limited to: (a) expenditures incurred in respect of generation assets, entitlements and  
19 acquisition premiums, (b) expenditures incurred in respect to the buyout, buydown,  
20 restructuring, or renegotiation of power purchase obligations, (c) expenditures incurred in  
21 respect to regulatory assets, (d) expenditures incurred to refinance or retire existing debt

1 or existing equity capital of the electric utility and any costs related thereto, (e) amounts  
2 necessary to recover federal or state taxes actually paid by an electric utility, which tax  
3 liability recovery is modified by the transactions approved in a finance order issued by  
4 the Commission pursuant to RSA Chapter 369-B, (f) reasonable costs, as approved by the  
5 Commission, relating to the issue, servicing, or refinancing of RRBs under the provisions  
6 of RSA Chapter 369-B, including, without limitation, principal and interest payments and  
7 accruals, sinking fund payments, debt service and other reserves, costs of credit  
8 enhancement, indemnities, if any, owed to the State or the trustee for the RRBs, issuance  
9 costs and redemption premiums, if any, and all other reasonable fees, costs, and charges  
10 in respect of RRBs and (g) expenditures incurred to implement the 2015 Settlement  
11 Agreement or other divestiture of all or some of PSNH's generation assets as ordered by  
12 the Commission. The 2015 Settlement Agreement (at line 163) refers back to this  
13 statutory definition of RRB Costs.

14 In 2015, the Legislature amended RSA Chapter 369-B to provide the Commission  
15 authority to approve this securitization financing contemplated in the 2015 Settlement  
16 Agreement. As part of that recent amendment, RSA 369-B:3, IV(c) was added. Pursuant  
17 to RSA 369-B:3, IV(c), the Commission may authorize the issuance of RRBs in an  
18 amount sufficient to fund PSNH's stranded costs, deferrals, transaction costs, tax  
19 liabilities, employee protections, payments in lieu of taxes, and other expenditures as  
20 contemplated in the 2015 Settlement Agreement in connection with the divestiture the  
21 Company's generation assets.

1 The 2015 Settlement Agreement similarly spells out these items as costs that are  
2 recoverable via the securitization financing. Beginning at line 261, the 2015 Settlement  
3 Agreement provides:

4 RRBs shall be authorized in an amount sufficient to fund reasonably  
5 expected stranded costs, cost and revenue deferrals, transaction costs,  
6 transaction advisor fees, tax liabilities, employee protections, tax  
7 stabilization payments, decommissioning costs, retirement costs,  
8 environmental costs, and other costs, liabilities, and expenditures set forth  
9 in this Agreement, but adjusted per the requirements of the draft  
10 legislation attached at Appendix A.

11 Similarly, the 2015 Settlement Agreement (beginning at line 152) states that the proceeds  
12 of the securitization financing will be used “to recognize recovery of such items  
13 including, but not limited to stranded costs, cost and revenue deferrals, transaction costs,  
14 tax liabilities, employee protections, tax stabilization payments, decommissioning, asset  
15 retirement, and environmental costs and liabilities and to recoup [the Company’s]  
16 investments in generation assets per the terms of this Agreement, up to the extent of the  
17 proceeds received.”

18 **Q. How do RRB Costs differ from RRB Charges?**

19 A. RRB Costs are the various items that can be recovered via the issuance of RRBs and that  
20 will be summed in part to determine the principal amount of RRBs that will be issued.  
21 RRB Charges, defined in RSA 369-B:2, XIII, are a component of electric rates that  
22 reflect the overall revenue requirement necessary to pay off the RRBs and on-going RRB  
23 Costs over time.

1 **Q. How will the principal amount of the securitization financing be determined?**

2 A. The statutory and 2015 Settlement Agreement references I previously provided include a  
3 detailed listing of costs, expenses, and other items that the Company may recover as part  
4 of the securitization financing.

5 As noted in the testimony of Ms. O’Neil, the aggregate principal amount of the RRBs can  
6 be determined only after the divestiture of the generation assets has been consummated.  
7 Only then will PSNH be in a position to calculate its unrecovered net book value,  
8 unrecovered deferrals, transaction costs, tax stabilization payments, employee protections  
9 and other costs with respect to the divestiture of generation assets. However, the  
10 determination of the aggregate amount of costs to be securitized is essentially an  
11 arithmetic equation. That arithmetic equation is as follows:

12 Securitization principal amount will equal the sum of:

- 13 1) the net book value of the divested generation plant;
- 14 2) the book value of divested fuel inventory;
- 15 3) the book value of divested generation materials and supplies;
- 16 4) cost and revenue deferrals;
- 17 5) regulatory assets / liabilities
- 18 6) estimated employee protection costs;
- 19 7) transfer costs of the pension and PBOP regulatory asset;
- 20 8) asset retirement obligations;
- 21 9) unamortized cost associated with debt issuances;

1 10) “make whole premiums” on debt redemptions if necessary;  
2 11) tax stabilization payment obligations as set forth in the Settlement  
3 12) other divestiture-related costs, such as transaction costs (per RSA 369-B:2,  
4 XIV, (f)), transaction advisor fees, tax liabilities, professional services related to  
5 the divestiture (such as legal, consulting, environmental studies, technical  
6 divestiture-related studies), other generation-related services, and auction  
7 management., decommissioning costs, retirement costs, environmental costs, and  
8 other costs, liabilities, and expenditures (such as stranded generation  
9 administrative costs, environmental expenses, visual improvements, and  
10 additional studies) per the 2015 Settlement Agreement

11 Minus the sum of:

12 1) the proceeds from the sale of PSNH’s generation assets;  
13 2) \$25 million in deferred equity return on the scrubber, recovery of which PSNH  
14 agreed to forego;  
15 3) the net present value of the related tax cash flows reflecting the net benefits of  
16 accumulated deferred income taxes relating to amounts that will be recovered  
17 through the issuance of rate reduction bonds, using a discount rate equal to the  
18 expected interest rate on the rate reduction bonds.

19 **Q. When will the Company be able to quantify these costs?**

20 A. Nearly all of the components of the arithmetic equation set forth above are dynamic, and  
21 final amounts will not be known with any specificity until the results of the divestiture

1 process are known and the date of the securitization financing can be estimated with  
2 some certainty. For instance:

3 Net plant: PSNH's net plant value will continue to be amortized until receipt of the  
4 securitization proceeds. Thus, an estimate of the net plant value will depend upon how  
5 long the divestiture process takes until closing, the proceeds received from the  
6 divestiture, and how quickly the securitization offering can go to market.

7 Fuel, materials, and supplies: The amount of fuel, materials, and supplies on hand and  
8 sold will depend upon the operation of the plants up to the time of closing.

9  
10 Employee protection costs, pension, and PBOP costs: These costs will vary depending  
11 upon how many employees the buyer(s) take on versus how many employees throughout  
12 PSNH and Eversource Energy Service Company are affected by the divestiture process.

13 **Q. Is the Company asking the Commission to approve a specific principal amount for**  
14 **the securitization?**

15 A. No. The Company is requesting that the Commission approve the methodology for the  
16 amount to be securitized and the framework for securitization assuming the sales of the  
17 generation assets result in stranded costs. This will allow the Company to be able to  
18 rapidly initiate the securitization financing upon the completion of the sale of the  
19 generation assets.

1 In order to expedite the securitization transaction and thereby maximizing the savings to  
2 customers, as noted in Ms. O’Neil’s testimony, the Company is asking the Commission  
3 to issue a finance order authorizing the Company to determine the principal amount of  
4 the securitization financing using the arithmetic equation I discussed earlier. When the  
5 Company makes its filing(s) seeking approval of the sale of its generation assets, it would  
6 concurrently make an informational filing in this docket providing an estimate of each of  
7 the components to be recovered via the securitization process as well as an estimate of  
8 the overall principal amount of the RRBs. The actual final details will be reported to the  
9 Commission in the Issuance Advice Letter that will be filed after the RRBs are priced,  
10 but prior to their issuance by a special purpose entity formed to issue the RRBs (the  
11 “SPE”).

12 **Q. How will the RRBs be repaid?**

13 A. The RRBs will be issued by a special purpose financing entity, as allowed in RSA 369-  
14 B:2, VI and in the 2015 Settlement Agreement at line 183. As described in more detail in  
15 the testimony provided by Ms. O’Neil and Ms. Niehaus, the SPE will purchase the RRB  
16 Property, created pursuant to RSA 369-B:2, XV, from PSNH, and will pay for the RRB  
17 Property using the proceeds of the securitization financing. Under the securitization law,  
18 the SPE will have an irrevocable vested property right to recover from all of PSNH’s  
19 retail customers the periodic payments it must make to pay off the RRBs and on-going  
20 RRB Costs via RRB Charges.



1 **Q. How will the SPE recover the RRB Charges associated with the RRBs?**

2 A. As discussed in the testimony provided by Ms. O’Neil and Ms. Niehaus, PSNH will enter  
3 into a “servicing agreement” with the SPE, wherein PSNH takes on the obligations to  
4 include the RRB Charges on retail customers’ bills, to receive payments of the RRB  
5 Charges from customers, and to remit such payments to a SPE. The right to collect the  
6 RRB Charge is irrevocable as provided in RSA 369-B:3, II, and the charge itself is non-  
7 bypassable pursuant to RSA 374-F:3, XII(d), RSA 369-B:2, XIII, and RSA 369-B:4, IV.

8 **Q. How will the RRB Charges be reflected on PSNH’s bills?**

9 A. PSNH will recover the RRB Charges from its retail customers as part of the Stranded  
10 Cost Recovery Charge (SCRC). The RRB Charge will become Part 1 of the SCRC. As  
11 noted in the 2015 Settlement Agreement, Part 1 of the SCRC will actually be owned by a  
12 SPE, and customers’ bills will include a notation informing them of that fact.

13 **Q. How will RRB Charges be calculated?**

14 A. RRB Charges must be sufficient to recover all RRB Costs, including the payment of  
15 principal; premium, if any; interest; credit enhancement; and all other fees, costs, and  
16 charges of the RRBs. *See* RSA 369-B:2, XIII; RSA 369-B:4, I, II and IV and the 2015  
17 Settlement Agreement at line 163.

18 Unlike prior securitization financings approved by the Commission where all customers  
19 paid an equal RRB Charge, in this financing the RRB Charges will vary by customer rate  
20 class. Under the 2015 Settlement Agreement, the overall SCRC, including both Part 1

1 (the RRB Charges reflecting securitized stranded costs) and Part 2 (other non-securitized  
2 stranded costs) varies by rate class. RSA 369-B:3-a, II contemplated and provided the  
3 Commission authority to approve such a non-uniform rate design.

4 The RRB revenue requirement as well as the Part 2 revenue requirement will be allocated  
5 among PSNH's customer classes per the table below as set forth in Section III.A of the  
6 2015 Settlement Agreement and approved by Commission order.

LG – Large General Service (> 1,000 kW)	05.75
GV – Primary General Service ( $\leq$ 1,000 kW)	20.00
G – General Service ( $\leq$ 100 kW)	25.00
R – Residential Service	48.75
OL – Outdoor Lighting	00.50

7  
8 Please see the testimony of Emilie O'Neil for further detail on the calculation of the  
9 average RRB Charges by rate class consistent with the terms of the 2015 Settlement  
10 Agreement.

11 As in PSNH's prior two RRB financings, the RRB Charge revenue requirements may be  
12 recovered for ratemaking purposes through a combination of energy and/or demand  
13 charges. In Order No. 23,550, the Finance Order for PSNH's first securitized financing,  
14 the Commission approved this rate implementation at Finding 13:

1 13. The procedures and methodologies for allocating amounts collected  
2 from retail customers that purchase or otherwise obtain back-up,  
3 maintenance, emergency or other delivery or energy service, on a pro rata  
4 basis among the SCRC and the Delivery Charge, system benefits charge,  
5 energy consumption tax, Hydro-Quebec support payments, and, if  
6 applicable, the transition or default service charges as these charges are  
7 identified in Section V of the Conformed Settlement Agreement and other  
8 rates and charges, as described in the Transaction Description and PSNH's  
9 Retail Delivery Service Tariff as filed with the Commission in this  
10 proceeding, are reasonable.

11 Illustrative overall stranded cost charges including RRB Charges by rate class using the  
12 2015 Settlement Agreement's allocation of the SCRC were provided by the Company as  
13 part of the testimony of Mr. Eric Chung in Docket No. DE 14-238, at hearing exhibit G-a,  
14 Attachment EHC-1, page 2 of 11. These overall average SCRC amounts would be  
15 recovered through rates using the same procedures and methodologies as PSNH used in  
16 its prior securitization financings and SCRC rate calculations. Actual SCRC charges will  
17 vary by rate schedule, may vary by separately metered rate options contained in certain  
18 rate schedules, may vary by time of use, and may include demand- as well as kWh-based  
19 charges.

20 If any customer class is materially reduced or consolidated to zero, its applicable  
21 allocation factor will be reallocated between remaining rate classes to ensure that 100%  
22 of the necessary revenue requirement is recovered.

23 **Q. How frequently will the RRB Charges be updated and recalculated?**

24 A. The plan is to update the RRB Charges periodically via the annual or mid-year true-up  
25 mechanism to coincide with the changing of the SCRC rate, but RRB Charges changes

1 could occur more frequently via the true-up mechanism if, for example, actual sales by  
2 customer class are significantly lower than the forecasts upon which the particular RRB  
3 Charge was based . Please refer to the testimony of Emilie O’Neil for additional detail  
4 on the true-up mechanism and the timing of the recalculation of the RRB Charges.

5 **Q. How will the revenues collected from the SCRC rate be allocated to the various**  
6 **parts of the SCRC?**

7 A. As I noted above, the RRB Charges will be included as Part 1 of the SCRC cost when  
8 calculating the overall SCRC rate. Revenues collected via the SCRC shall, in accordance  
9 with the 2015 Settlement Agreement, be allocated first to satisfy the payment of Part 1  
10 (RRB Charge) costs and then to the payment of Part 2 costs of the SCRC. In the event  
11 that there is insufficient SCRC revenue to meet both the Part 1 and Part 2 SCRC  
12 requirements, the unrecovered Part 2 amounts will be deferred for future recovery. This  
13 treatment will enhance the likelihood of satisfying recovery of all RRB Charges in a  
14 timely manner, supporting the targeted Triple-A rating of the bonds.

15 **Q. Can you please explain this in more detail and also explain how under- or over-**  
16 **recoveries will be handled?**

17 A. Yes. Under- or over-recoveries of the SCRC will be dealt with via reconciliation of Part 2  
18 of the SCRC. Per the 2015 Settlement Agreement at line 235, “Part 2 of the SCRC will  
19 be reconciled annually with a return at the Stipulated Rate of Return on any  
20 overrecoveries or underrecoveries of costs.”

1 For example if the revenue requirement associated with the Part 2 SCRC costs was \$25  
2 million and the revenue requirement associated with the Part 1 RRB Charge was \$40  
3 million but the Company only received \$50 million in SCRC revenues, \$40 million of the  
4 SCRC revenues would be applied to the Part 1 RRB Charge and the remaining \$10  
5 million of SCRC revenues would be applied to the Part 2 costs resulting in the deferral  
6 and future reconciliation of \$15 million of Part 2 costs. Similarly, using this example, if  
7 actual SCRC revenues were \$75 million (exceeding the \$65 million revenue requirement  
8 to satisfy Parts 1 and 2 of the SCRC), the excess \$10 million would be reconciled as a  
9 credit to future Part 2 rate setting.

10 **Q. How would deferred costs or credits associated with the Part 2 of the SCRC be**  
11 **recovered?**

12 A. Consistent with the current SCRC rate setting process, any over/under recovery amount  
13 would be deferred for future Part 2 recovery with a return at the Stipulated Rate of Return  
14 and incorporated into the next SCRC rate to be effective on January 1 or July 1, as  
15 applicable.

16 **Q. How will the issuance of the RRBs impact customers?**

17 A. Customers will realize savings following divestiture and the issuance of the RRBs. If the  
18 securitization process were not utilized, the Company's outstanding generation  
19 component costs and debt remaining after divestiture would continue to be recovered  
20 from customers at a financing cost based on the Company's overall weighted average  
21 cost of capital. While the Company does have an above average credit rating, the overall

1 weighted average cost of capital includes both equity and debt returns. The interest rate  
2 on the targeted Triple-A credit rating of the RRBs will be materially less than the  
3 Company's overall weighted average cost of capital and thus will provide for savings on  
4 carrying costs. These lower carrying costs, coupled with the net proceeds of the  
5 divestiture process, will result in lower costs to customers.

6 **Q. Will a change to PSNH's Tariff be necessary to implement recovery of the RRB**  
7 **Charges?**

8 A. Yes. PSNH requests that the Commission approve two changes to its Tariff.

9 The first is to change the definition of "Settlement Agreement" that appears on Page 8 of  
10 the Terms and Conditions section of Tariff NHPUC No. 9. The existing definition is no  
11 longer operative, as it relates to the prior 1999 PSNH Restructuring Settlement. A  
12 condition of the 2015 Settlement Agreement, at line 923, was:

13 C. All parties to the PSNH 1999 Restructuring Settlement Agreement  
14 must agree that the PSNH 1999 Restructuring Settlement Agreement is  
15 rescinded and superseded upon satisfaction of the conditions set forth in  
16 Section XI, A & B, above.

17 All parties to that prior 1999 agreement have concurred; hence, the prior agreement has  
18 been rescinded and superseded by the current 2015 Settlement Agreement.

19 The second Tariff change is to Section 27, "Stranded Cost Recovery Charge," on Page 21  
20 of the Terms and Conditions portion of the Company's Tariff. These changes are  
21 necessary to reflect the securitization process approved in the 2015 Settlement

1 Agreement, particularly how the overall revenue requirement for the RRB Charge will be  
2 allocated among customer classes and how the RRB Charge true-up mechanism will  
3 work.

4 These changes to the Tariff are illustrated in Attachment CJG-1 to this testimony. The  
5 effective date of the Tariff changes would be coincident with the securitization financing.

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

7 A. Yes, it does.