

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-023

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

Petition for Adjustment to Stranded Cost Recovery Charge

Order Approving Stranded Cost Recovery Charge

ORDER NO. 26,116

March 29, 2018

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; Consumer Advocate D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this Order, the Commission approves an average residential Stranded Cost Recovery Charge of 1.862 cents per kWh for residential customers effective April 1, 2018. As explained below, the Stranded Cost Recovery Charge represents an increase in the delivery portion of the bills for all of Eversource's customers, but there are also changes to other parts of Eversource's rates that are taking effect at the same time. Starting April 1, the combined changes to the SCRC approved in this Order and to Eversource's energy service rate approved separately, will result in a decrease for residential customers who take energy service from Eversource and use 600 kWh per month of 7.4 percent, from \$123.64 to \$114.52, or \$9.12 per month. Residential customers using 600 kWh per month who receive energy service from a competitive supplier will experience an increase of 19.7 percent in the delivery portion of their bill or about \$11.00 a month.

I. PROCEDURAL HISTORY

On February 16, 2018, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed a petition for an adjustment to the Stranded Cost Recovery Charge (SCRC) for the

four-month period from April 1 to July 31, 2018. The filing included the testimony of Christopher J. Goulding, Manager of New Hampshire Revenue Requirements, as well as additional supporting information.

The SCRC recovery mechanism was established pursuant to the Agreement to Settle PSNH Restructuring in Docket No. DE 99-099 (Restructuring Agreement). The Restructuring Agreement defined the stranded costs of PSNH, now known as Eversource, and separated them into three different parts - Part 1, Part 2, and Part 3. The original costs associated with Part 1 and Part 3 from the Restructuring Agreement have been fully recovered. In recent years the costs recovered through the SCRC rate mechanism have been Part 2 costs, which are “ongoing” stranded costs, consisting primarily of the over-market value of energy purchases from independent power producers (IPPs), and the amortization of payments previously made from the IPP buy-downs and buy-outs approved by the Commission. Pursuant to Order No. 25,664 (May 9, 2014), the SCRC rate includes refunds from the Regional Greenhouse Gas Initiative (RGGI). Pursuant to RSA 125-O:23, II and Order No. 25,664, RGGI auction proceeds in excess of \$1.00 per allowance are rebated to all retail electric ratepayers. Eversource uses the SCRC rate mechanism to rebate such RGGI proceeds to its customers. By Order No. 26,090 (December 27, 2017), the Commission authorized Eversource to bill an average SCRC rate of 0.042 cents per kilowatt hour (kWh) effective with services rendered on and after January 1, 2018.

In Order No. 25,920 (July 1, 2016), the Commission approved the 2015 Restructuring and Rate Stabilization Agreement (Divestiture Agreement), which provides for the divestiture of Eversource’s generating assets and the recovery of related stranded costs – with a portion securitized through Rate Reduction Bonds (RRB) and the balance identified as nonsecuritized stranded costs.

The Office of Consumer Advocate (OCA) participated in this docket pursuant to RSA 363:28. Eversource made an updated filing of its proposal on March 14, 2018. A hearing was held on March 20, 2018. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.state.nh.us/Regulatory/Docketbk/2018/18-023.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

The SCRC proposed by Eversource in this filing consists of two parts that are similar to the way the SCRC has been determined and collected in the past. Part 1 is again designated for the recovery of RRB costs – here the costs associated with divestiture. Part 2 will continue to be used to collect existing IPP related costs, but will also include the nonsecuritized costs associated with divestiture. The Company plans to issue new RRBs in May 2018, and Part 1 of the SCRC rate will recover the principal, net interest, and fees related to the Company's securitized divestiture costs. As part of the divestiture of Eversource's generating facilities, Part 2 will incorporate several new costs, including the costs of the retained power entitlements related to Eversource's purchase power agreements (PPAs) with the Lempster Wind (Lempster) project and the Burgess BioPower plant (Burgess). Part 2 costs will also include any nonsecuritized prudently incurred decommissioning, environmental, or other residual costs or liabilities related to the generating facilities. The SCRC rate will continue to include the RGGI credit to customers as required by law. Hearing Exhibit (Exh.) 1 at 6. Eversource said that Part 1 will constitute about two-thirds of the SCRC beginning April 1, 2018, with Part 2 making up the balance. The RGGI credit remains at 0.105 cents per kWh in the calculation of rates.

Eversource proposes to implement these changes to the SCRC for April 1, 2018, the same day approved for implementation of the energy service rate that recovers the costs associated with competitively procured power supply for Eversource's energy service customers. In its initial filing, Eversource estimated an average residential SCRC rate of 1.937 cents per kilowatt hour (kWh) before the RGGI credit. On March 14, Eversource updated its estimate of the average residential SCRC rate to 1.967 cents per kWh before the RGGI credit. Eversource will file a proposal to adjust the average SCRC rates effective August 1, 2018, and every six months thereafter coincident with changes to its energy service rate.

As has been customary with SCRC rate filings, Eversource estimated the Part 1 and Part 2 costs to calculate a proposed rate. Eversource will reconcile actual costs and revenues when those items are known. To estimate the RRB costs, Eversource used the "Mid Case" that it presented in Docket No. DE 17-096, Eversource's petition to issue the RRBs for certain costs related to divestiture. Exh. 4. The "Mid Case" scenario estimated that the RRBs will securitize approximately \$638.6 million in divestiture costs. Exh. 5.¹ The RRB costs will be recovered over a period of 14 years and 10 months.

For the 10-month period beginning April 1, 2018, through January 31, 2019, Eversource estimated the amount of costs to be recovered through Part 1 of the SCRC will be approximately \$46.5 million. Exh. 6. Eversource allocated those costs among its customer classes according to the allocations approved in the Divestiture Agreement. *Id.* Pursuant to the approved allocation, residential customers will pay 48.75 percent of the stranded costs, resulting in an average per kWh Part 1 SCRC charge of 1.285 cents per kWh. *Id.* Eversource said that it expects that the costs, and corresponding Part 1 SCRC, will gradually reduce over the term of the RRBs.

¹ Under Order No. 26,092 (December 29, 2017), the non-scrubber deferral (under-recovery) identified at line 5 of Exhibit 5 will not be recovered through the RRBs, but will be recovered through Part 2 of the SCRC.

Eversource also estimated Part 2 costs and the associated Part 2 charge. The components of Part 2 are the forecasted over/under-market costs associated with the ongoing IPPs; the forecasted over/under-market costs associated with the Burgess and Lempster PPAs;² the forecasted March 31, 2018, non-scrubber energy service under-recovery (Exh. 8). The categories and related estimates of Part 2 costs for the 10-month period beginning April 1, 2018, through January 31, 2019 include:

<u>Cost Category</u>	<u>Over-Market Cost Estimate</u>
Ongoing IPP costs	\$ 9.893 million
Burgess Ongoing Costs	\$ 19.887 million
Lempster Ongoing Costs	\$ 0.616 million
Non-Scrubber Under Recovery	\$ 23.523 million

Exh. 2, CJG-1, page 5 of 5.

Eversource described the “cumulative reduction fund” provision in the Burgess PPA. Under the PPA, Eversource will no longer be obligated to pay over-market costs for power when the cumulative reduction fund reaches \$100 million. Eversource estimates that, by the end of January 2019, the cumulative reduction fund will total approximately \$82 million. Eversource estimated that about \$1.7 million to \$2 million in over-market costs are added to the cumulative reduction fund each month, depending on the production of the plant. Eversource also testified that entitlements³ of about \$246,000 expected during the rate period are included in the calculation of costs as a credit.

Exh. 2., CJG-1, page 5 of 5.

According to Eversource, the Divestiture Agreement provides that additional costs will be included in Part 2 once those costs are known. Such costs include tax relief payments to municipalities, ongoing employee retirement costs, true-up of actual to forecasted costs from the sale

² The Burgess and Lempster cost estimates are based on PPAs that include the purchase of energy, capacity, and renewable energy certificates. The costs reflected in Part 2 represent the over-market costs for all those purchases. Lempster sometimes produces power below market costs, which results in a credit to Eversource customers. *See* Exh. 2, CJG-a, page 5 of 8.

³ The entitlements referenced include a return on the decommissioning of the Yankee Nuclear Power Plant, revenue from obligations related to the purchase of Connecticut Valley Electric Company, and a return on the SCRC deferred balance. The entitlements total \$246,000.

of certain renewable energy certificates associated with the Northern Wood Power Project at Schiller Station, and true-ups of any additional costs or revenues that Eversource receives after securitization. Exh. 1 at 9.

Eversource estimated the total average SCRC rate by customer class, including the RGGI credit, effective for the 10-month period beginning April 1, 2018,⁴ as follows (rates presented on a cents per kWh basis):

<u>Customer Class</u>	<u>Average SCRC Rate</u>	<u>RGGI Credit</u>	<u>Final SCRC Rate</u>
Rate R (residential)	1.967	(0.105)	1.862
Rate G (general service)	1.839	(0.105)	1.734
Rate GV (primary general service)	1.516	(0.105)	1.411
Rate LG (large general service)	0.570	(0.105)	0.465
Rate OL (outdoor lighting)	2.033	(0.105)	1.928

Exh. 2, page 1 and CJG-1, p. 1 of 5.

For residential customers taking energy service from Eversource and using 600 kWh per month, the new SCRC rate combined with the change to the energy service rate effective April 1, 2018, will result in a total monthly bill reduction of about 7.4 percent or \$9.12, from \$123.64 to \$114.52. Customers in other rate classes receiving energy service from Eversource will experience bill reductions ranging from 3.9 percent to 16.2 percent. Exh. 3.

A residential customer using 600 kWh per month who has elected to receive energy service from a competitive supplier will see an increase in the delivery portion of the bill of 19.7 percent. Those customers' bills will increase by \$10.96 per month. Customers in other customer classes taking energy from a competitive supplier will experience monthly delivery charge increases ranging from 7.1 percent to 27.5 percent. Exh. 3, p. 2.

Eversource committed to working with Staff and the OCA to make sure that subsequent filings contain an adequate description of the elements that constitute the SCRC rate, and provide a clearer explanation of how the rate may change from the prior rate period.

⁴ Eversource will seek adjustments to the energy and SCRC rates effective August 1, 2018.

Eversource said that the resulting rates are just and reasonable and requested that the Commission approve the rates provided in the March 14, 2018, update.

B. OCA

The OCA said it appeared that the proposed SCRC rates were calculated accurately and that the resulting rates are just and reasonable. Therefore, the OCA recommended approval of the petition as amended and updated.

C. Staff

Staff concluded that Eversource had appropriately calculated the estimated rates for effect April 1, 2018. Staff said that the rates are reconciling and will thus be adjusted if actual results are different from what was forecasted; and that the Commission's Audit Staff would also analyze the costs underlying the rates. Staff concluded that the resulting rates are just and reasonable in the updated filing and said it would discuss tariff changes with Eversource and the OCA to ensure that in the future customers will have information that better describes the amount in both Parts 1 and 2 of the SCRC rate.

III. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to determine the just, reasonable, and lawful rates to be charged by public utilities. The statute is clear; any recovery of stranded costs "should be through a nonbypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, consistent with the promotion of fully competitive markets, and consistent with [the restructuring policy] principles." RSA 374-F:3, XII(d). We find that Eversource's proposal to adjust its overall average SCRC rate to reflect updated estimated costs, including the impact of changes in the forecasted market prices, the RRBs, and the new SCRC stranded costs, is appropriate and results in just and reasonable rates as required by RSA 374:2, and

RSA 378:7. On that basis, we approve the adjustment requested by Eversource in its March 14 updated filing.

We emphasize that the rates are based on Eversource's estimates of Part 1 and Part 2 costs, and we understand that the SCRC rate will be reconciled on an ongoing basis. We also agree that the costs that comprise the SCRC rate should be audited. In addition, we agree with Staff that Eversource should amend its tariff filing to separately identify the rate that comprises Part 1 RRB recovery costs, and Part 2 stranded costs, so that customers can understand how the components of stranded costs change over time.

We understand that as securitization occurs and the Company calculates the final costs of divestiture, there will be additional divestiture-related stranded costs that will be recovered through the Part 2 SCRC rate when actual costs are incurred. We expect Eversource to fulfill its commitment to separately identify the category of additional costs that comprise SCRC Part 2 costs. We also rely on Eversource's assurance that it will work with Staff to present a more complete and coherent filing when it next seeks an SCRC adjustment. Receiving a full explanation of the SCRC rate in prefiled testimony will facilitate the Commission's review and prompt action on the filing. While our questions were adequately addressed at hearing, the process was cumbersome because the Company's filing insufficiently explained the basis for the calculations that led to the resulting rates. We do not want this to be repeated in subsequent SCRC adjustment proceedings.

Finally, we recognize that the proposed SCRC rates are higher than Eversource forecast because of the inclusion of some additional Part 2 costs. Those costs include an under-recovery of prior period costs resulting from lower default service energy sales than anticipated when the rates were set, as well as the over-market costs resulting from contracts with Lempster, Burgess, and IPPs.

Overall, Eversource's rates for energy service customers are lower than they were before divestiture, and we are confident that, over time, SCRC costs related to divestiture will decline.

Based upon the foregoing, it is hereby

ORDERED, that Eversource's petition, as modified, for approval of an adjustment to the SCRC rate is hereby APPROVED effective on a service-rendered basis beginning April 1, 2018; and it is

FURTHER ORDERED, that Eversource's allocation of SCRC costs among the various customer classes is hereby APPROVED; and it is

FURTHER ORDERED, that Eversource shall on an ongoing basis reconcile the estimated SCRC costs with actual costs, and include the reconciliation in resulting rates; and it is

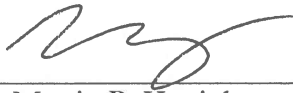
FURTHER ORDERED, that all costs shall be subject to a Staff Audit and that the accuracy and prudence of those costs will be reviewed in a subsequent proceeding; and it is

FURTHER ORDERED, that Eversource shall fulfill its commitment to work closely with Staff and the OCA on the preparation of future filings to adjust the SCRC rate to ensure that such filings are coherent and complete and that the prefiled testimony includes the required information to facilitate the review; and it is

FURTHER ORDERED, that Eversource shall fulfill its commitment to work with the Staff and the OCA to develop a tariff that separately identifies Part 1 and Part 2 SCRC charges to better inform customers of the rate components; and it is

FURTHER ORDERED, that Eversource shall file conforming tariff pages pursuant to Puc 1603 within 20 days of this Order.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of
March, 2018.



Martin P. Honigberg
Chairman



Kathryn M. Bailey
Commissioner

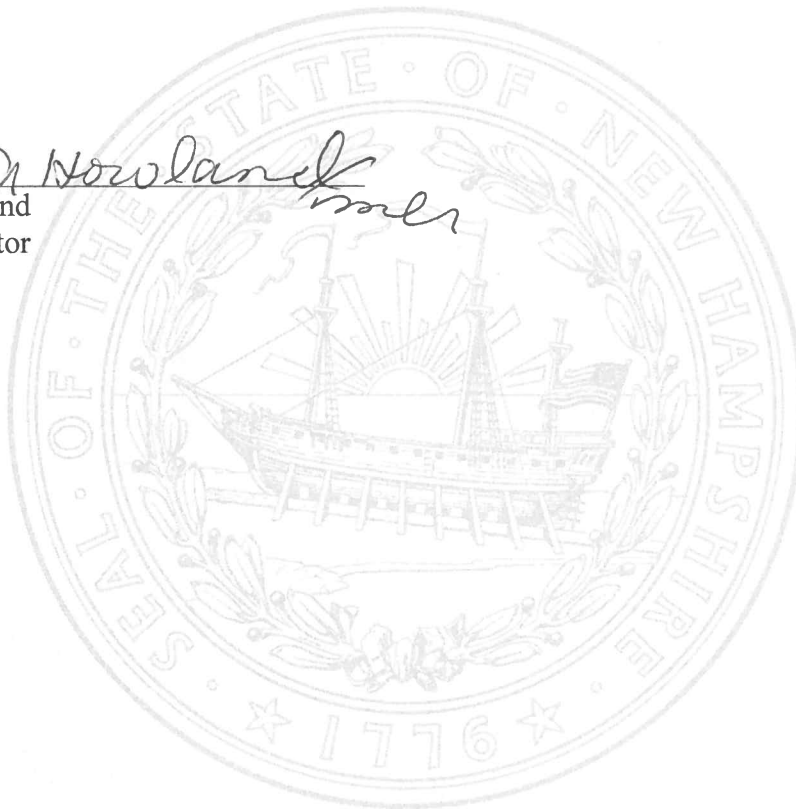


Michael S. Giaimo
Commissioner

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.

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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.**