

THE STATE OF NEW HAMPSHIRE
before the
PUBLIC UTILITIES COMMISSION

NOTICE OF INTENT TO FILE RATE SCHEDULES

Docket No. DE 19-057

SETTLEMENT AGREEMENT

This Settlement Agreement (“Agreement”) is by and between Public Service Company of New Hampshire d/b/a Eversource Energy (“PSNH” or the “Company”); the Staff of the New Hampshire Public Utilities Commission (“Staff”); the Office of Consumer Advocate (“OCA”); and The Way Home (“TWH”) (all collectively referred to as the “Settling Parties”), with the intent of resolving the issues discussed herein. This Settlement Agreement constitutes the recommendation of the Settling Parties with respect to the Commission’s approval of temporary rates relating to PSNH’s rate case filed in Docket No. DE 19-057.

I. INTRODUCTION AND PROCEDURAL HISTORY

On March 22, 2019, PSNH filed with the Commission its Notice of Intent to File Rate Schedules pursuant to N.H. Code Admin. Rule Puc 1604.05 pertaining to its request for temporary rates. On April 26, 2019, the Company filed with the Commission testimony, attachments and other information supporting that request. Pursuant to that submission, PSNH sought an increase in temporary rates of approximately \$33 million effective July 1, 2019 pending the Commission’s determinations on the Company’s permanent rate request. Also on April 26, 2019, the Company filed with the Commission its Notice of Intent to File Rate Schedules pertaining to its request for permanent rates and on May 28, 2019, the Company’s permanent rate filing was filed seeking a permanent rate increase of approximately \$70 million.

The Commission Staff submitted a series of data requests and the Settling Parties met in a technical session on June 5, 2019 to discuss the discovery and the potential for settlement of the Company's temporary rate request. Based upon the Settling Parties' discussions, the Settling Parties present the below Agreement for the Commission's consideration.

II. SETTLEMENT TERMS

The Settling Parties agree that the Settlement Agreement as described below should be approved by the Commission. These terms are intended to be included in a comprehensive settlement and, as such, all terms are interdependent, and each Settling Party's agreement to each individual term is dependent upon agreement with all of the terms.

A. Effective Date

The Settling Parties agree PSNH should be permitted to increase its base distribution rates by \$28.3 million on a temporary basis as described in the below sections. The Settling Parties acknowledge that the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement (the "2015 Agreement"), approved by the Commission in Order No. 25,920 (July 1, 2016), along with Order No. 26,177 (September 27, 2018) in Docket No. DE 18-049, established a requirement that the customers of PSNH receive the benefits of certain State and Federal tax changes through a distribution rate change effective July 1, 2019. The Settling Parties further acknowledge that PSNH's retail rates are to be adjusted to account for revisions to PSNH's Energy Service rate, Stranded Cost Recovery Charge rate, and Transmission Cost Adjustment Mechanism rate on August 1, 2019.

Accordingly, consistent with the recommendation of the Commission, to align all of the rate changes so as to minimize customer impacts that may come from multiple rate adjustments the Settling Parties agree that the effective date of the temporary rate change in this proceeding shall be deemed to be July 1, 2019 regardless of the date the actual distribution rates are adjusted. The Settling Parties further agree that PSNH will implement the distribution rate change attributable to this Agreement for service rendered on and after on August 1, 2019 coincident with the other rate changes and shall adjust its rates and revenue calculations to account for the August 1, 2019 implementation date. The Settling Parties agree that to accommodate this shift, the Company will be allowed to record a regulatory asset for GAAP purposes and record to revenue for the 1-month July 2019 Rate increase impact. The Company would then amortize this regulatory asset over the following 11 months, and thereby bill the amount rate increase for the 12-month period over a term of 11 months beginning on August 1, 2019. The rate recovery and corresponding amortization over the 11 months will include recovery and amortization of the equity return component of the revenue requirement from August 1, 2019 through December 31, 2019. The remaining revenue requirement components will be amortized over 11 months so that the total monthly amortization will be the same for each of the 11 months.

This above change to the billing date, but not the effective date, shall also include the provision of the benefits of the State and Federal tax changes to customers on the same 11-month schedule. PSNH agrees to provide an updated version of Attachment EHC/TMD-2 (Temp), Schedule EHC/TMD-2(Temp) page 2 on Bates page 76 of the temporary filing to demonstrate the accounting of the tax treatment on or by August 1, 2019.

B. Temporary Rate Level

The Settling Parties agree that the change from the Company's April 26, 2019 temporary rate requests shall be amended as follows pursuant to this Agreement:

a. PSNH will remove the normalizing adjustment of \$1,213,743 from its cost of service attributable to the costs of vegetation management billed to, but not collected from, Consolidated Communications, Inc., shown on Bates page 85, line 35 of the temporary filing.

b. PSNH will remove the normalizing adjustment of \$210,831 from its cost of service attributable to the Transition Service Agreement expense adjustment shown on Bates page 85, line 44 of the temporary filing.

c. PSNH will begin amortizing the unrecovered storm costs, currently estimated at \$68,474,355 as of December 31, 2018, over a five-year period beginning August 1, 2019. As of August 1, 2019, PSNH will apply a carrying charge equal to its embedded cost of long-term debt, currently calculated at 4.3%, to the unrecovered storm costs, rather than at the stipulated rate of return previously applied to unrecovered storm costs net of taxes. Prior to recovery starting August 1, 2019, carrying charges will continue to accrue as they do today at the stipulated rate of return. All unrecovered costs, currently estimated at \$68,474,355 as of December 31, 2018, are subject to audit and shall be subject to reconciliation based upon the audit.

d. In Order No. 26,206 (December 28, 2018) in Docket No. DE 18-177, the Commission directed PSNH to end the capital treatment of certain vegetation management ("VM") costs, specifically the costs of enhanced tree trimming ("ETT"), hazard tree removal, and full width right-of-way ("ROW") clearing, and to account for those costs as expense. In that same order, the Commission authorized the Company to continue the 2019 Reliability

Enhancement Program (“REP”) funding mechanism at a level of \$16.8 million for calendar year 2019, which was intended to support the 2019 budget for these VM activities in a manner consistent with this accounting directive.

The Company discontinued the REP in January 1, 2019. Instead, PSNH proposes to include the funding, previously targeted in REP for certain REP expenditures, as additional revenue in distribution rates for vegetation management activities. PSNH stated that its temporary rate proposal includes this change. For purposes of this agreement, the Settling Parties agree that PSNH will remove the normalizing adjustment of \$16,800,000 from its cost of service attributable to the VM expense adjustment shown on Bates page 85, line 40 of the temporary filing.

e. In lieu of the above-described adjustment, for the period of July 1 through December 31, 2019, the Company will be allowed to spend up to \$7.7 million on the described VM activities related to ETT, hazard tree removal, and ROW clearing, and for the period of January 1 through June 30, 2020, the Company will be allowed to spend up to \$6 million in VM activities related to ETT, hazard tree removal, and ROW clearing. To the extent the Company spends less than the above amounts in either of the two described periods, the amount underspent in each period will be credited to customers through an appropriate mechanism at the time permanent rates are determined. The intent of this provision is to cap the total of VM spending related to ETT, hazard tree removal, and ROW clearing by the Company at no more than \$13.7 million in the 12-month period of July 1, 2019 through June 30, 2020. To the extent the Company spends more than the above amounts in either of the described periods, the Company will not include the amounts greater than the described amounts in the calculation of the recoupment at the time that permanent rates are determined, or anytime in the future.

In addition, the intent of this provision is to cap the total of VM spending related to ETT, hazard tree removal and ROW clearing by the Company at no more than \$16.1 million in the 12-month period of January 1, 2019 through December 31, 2019. The cap relating to calendar year 2019 was determined by taking half of the amount approved by the Commission in Order No. 26,206 (\$8.4 million) to set the cap for the period January 1 through June 30, 2019, and adding the cap for July 1 through December 31, 2019 (\$7.7 million) described above. The actual VM spending activity related to ETT, hazard tree removal and ROW clearing for the period January 1 through June 30, 2019 will be offset against the amount of the TCJA Credit (described in the temporary rates testimony of Chung and Dixon) to customers.

In its initial temporary rate filing in this proceeding, the Company estimated the cumulative under-recovered balance for the period ending June 30, 2019 at approximately \$7.1 million (see Attachment EHC/TMD-2 (Temp), Schedule EHC/TMD-1 (Temp), Page 2 of 2, Line 35). The final amount will depend upon the actual amount of VM spending related to ETT, hazard tree removal and ROW clearing. The credit will be reconciled as part of the setting of permanent rates.

f. The Settling Parties agree that all of the Company's VM activities, whether previously classified as "base" VM activities or included in the REP, are subject to review in the permanent rate phase of the proceeding with the goal of establishing an appropriate scope or level of VM activities and further agree that setting the temporary level of VM spending at the above levels does not predetermine or otherwise cap the appropriate level of VM spending for the PSNH system, nor prejudice any party in its arguments on the appropriate levels for VM spending, in future periods.

C. Rate Impacts

Taking into account the adjustment to timing identified in Section II.A and the adjustments identified in Section II.B. above, the Settling Parties agree that the Company's request for temporary rate relief of \$33 million is to be adjusted to \$28.3 million on a temporary basis, effective July 1, 2019, but billed beginning with service rendered on and after August 1, 2019. Revised calculations reflecting this adjustment are shown on the Company's update to Attachment EHC/TMD-2 (Temp), Schedule EHC/TMD-1 (Temp), which accompanies this Agreement as Attachment A. The Settling Parties will also receive an updated live Excel file of Attachment EHC/TMD-2 (Temp) with adjustments identified at the time this Agreement is executed. Upon receiving the appropriate Commission approval, the Company would adjust its distribution revenue requirement by this amount for temporary rates effective July 1, 2019.

The Settling Parties acknowledge that the adjustment to the Company's distribution revenue requirement as described above results in changes to customer rates that differ from those described and shown in Attachment EAD-3 (Temp). Accordingly, an updated version of Attachment EAD-3(Temp) accompanies this Agreement, along with a schedule of class specific rate impacts, as Attachment B. The Settling Parties agree that the rates included in these updated documents are just and reasonable and in the public interest and should be implemented as temporary rates during the pendency of this proceeding.

D. General Provisions

The Settling Parties agree that all testimony and supporting documentation may be admitted as full exhibits for purposes of consideration of this Agreement. Agreement to admit

all direct testimony without challenge does not constitute agreement by the Settling Parties that the content of the written testimony filed on behalf of the other Parties is accurate nor is it indicative of what weight, if any, should be given to the views of any witness. Furthermore, in light of the fact that they have entered into this Agreement, the Settling Parties agree to forego cross-examining witnesses regarding their pre-filed testimony and, therefore, the admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness.

This Agreement is expressly conditioned upon the Commission's acceptance of all of its provisions without change or condition. All terms are interdependent, and each Settling Party's agreement to each individual term is dependent upon all Settling Parties' agreement with all of the terms. If such complete acceptance is not granted by the Commission, or if acceptance is conditioned in any way, the Settling Parties shall have the opportunity to amend or terminate this Agreement or to seek reconsideration of the Commission's decision or condition. If this Agreement is terminated, it shall be deemed to be withdrawn and shall be null and void and without effect, and shall not constitute any part of the record in this proceeding nor be used for any other purpose. The Settling Parties agree to support approval of this Agreement before the Commission. The Settling Parties agree that they shall not oppose this Agreement before any regulatory agencies or courts before which this matter is brought, but shall take all such action as is necessary to secure approval and implementation of the provisions of this Agreement.

The Commission's acceptance of this Agreement does not constitute continuing approval of or precedent regarding any particular issue in this proceeding, but such acceptance does

constitute a determination that, as the Settling Parties believe, the provisions set forth herein are just and reasonable. The discussions which have produced this Agreement have been conducted on the understanding that all offers of settlement and discussion relating thereto are and shall be privileged, and shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in any manner in connection with this proceeding, any further proceeding or otherwise.

IN WITNESS WHEREOF, the Settling Parties have caused this Agreement to be duly executed in their respective names by their agents, each being fully authorized to do so on behalf of their principal.

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A EVERSOURCE ENERGY

By: 

Matthew Fossum, Esq.
Senior Counsel

Date: 6/13/19

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION STAFF

By: _____
Suzanne Amidon, Esq.
Staff Attorney

Date: _____

NEW HAMPSHIRE OFFICE OF CONSUMER ADVOCATE

By: _____
D. Maurice Kreis, Esq.
Consumer Advocate

Date: _____

THE WAY HOME

By: _____
New Hampshire Legal Assistance
Raymond Burke, Esq.

Date: _____

CLEAN ENERGY NEW HAMPSHIRE

By: _____
Madeleine Mineau
Executive Director

Date: _____

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Consumer Advocate

Date: June 13, 2019

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