

THE STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ERICA L. MENARD
STRANDED COST RECOVERY CHARGE RATE
PRELIMINARY RATES EFFECTIVE AUGUST 1, 2019

Docket No. DE 19-xxx

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

2 A. My name is Erica L. Menard. My business address is 780 North Commercial Street,
3 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
5 service to Public Service Company of New Hampshire d/b/a Eversource Energy
6 (“Eversource” or the “Company”).

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

8 A. I have not testified in person before the Commission, but I have submitted testimony in
9 the Company’s pending rate case in Docket No. DE 19-057.

10 **Q. Please describe your educational background.**

11 A. I graduated from the University of Maine in 1997 with a Bachelor of Arts degree in
12 Economics and Business Administration with a concentration in Finance and from the
13 University of New Hampshire in 2007 with a Master’s in Business Administration.

14 **Q. Please describe your professional experience.**

15 A. I was hired by Public Service Company of New Hampshire (now Eversource) in 2003
16 and have held various positions in the Company with increasing levels of responsibility. I

1 was appointed to my current position of Manager, Revenue Requirements –NH in April
2 2019. Prior to my current role, I held the position of Manager, Budgets & Investment
3 Planning from September 2012 to April 2019. In that role I oversaw the capital and
4 operations and maintenance plan budgets, actuals, and financial reporting for New
5 Hampshire operations. From September 2003 to September 2012, I held the positions of
6 Analyst and Senior Analyst in Economic Development and Load Forecasting and
7 Supervisor of Performance Analysis and Business Planning where I was responsible for
8 sales forecasting, economic analysis, performance management, and business planning
9 activities. Prior to joining the Company, from June 1997 to September 2003, I held
10 various positions at ICF Consulting in Fairfax, Virginia ranging from analyst, product
11 consultant, and project manager with responsibilities for implementing load profiling and
12 load settlement software at various utilities around the world.

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

14 A. I am currently responsible for the coordination and implementation of revenue
15 requirements calculations for Eversource, as well as the filings associated with
16 Eversource’s Energy Service (“ES”) rate, Stranded Cost Recovery Charge (“SCRC”),
17 Transmission Cost Adjustment Mechanism (“TCAM”), and Distribution Rates.

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

19 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
20 the necessary approvals to set the average SCRC rates, including the RGGI adder, that
21 will take effect August 1, 2019.

1 **Q. Has the SCRC rate been calculated consistent with the February 1, 2019 SCRC**
2 **rates that were approved by Order No. 26,215 in Docket No. DE 18-182?**

3 A. Yes, the preliminary August 1, 2019 SCRC rates have been prepared consistent with the
4 last approved SCRC rates.

5 **Q. Please describe the components of the SCRC and their application to this rate**
6 **request.**

7 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F
8 and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549, defined
9 PSNH’s stranded costs and categorized them into three different parts (i.e., Part 1, 2 and
10 3). Part 1 costs were composed of the RRB Charge, which was calculated to recover the
11 principal, net interest, and fees related to the original Rate Reduction Bonds (“RRBs”).
12 These original RRBs were fully recovered as of May 1, 2013. As part of Eversource’s
13 divestiture of its generating facilities under the settlement in Docket No. DE 14-238, new
14 RRBs were issued in May 2018 and are included as Part 1 costs in the SCRC rate. Part 2
15 costs are “ongoing” stranded costs consisting primarily of the over-market value of
16 energy purchased from independent power producers (“IPPs”) and the amortization of
17 payments previously made for IPP buy-downs and buy-outs as approved by the
18 Commission. Also, as part of the divestiture of Eversource’s generating facilities, Part 2
19 incorporates various new costs, including: the costs of retained power entitlements,
20 unsecuritized prudently incurred decommissioning (if any), environmental, or other
21 residual costs or liabilities related to the generating facilities. Part 3 costs, which were

1 primarily the amortization of non-securitized stranded costs, were fully recovered as of
2 June 2006.

3 Additionally, the SCRC rate billed to customers includes the Regional Greenhouse Gas
4 Initiative (“RGGI”) refund as required by RSA 125-O:23, II and Order No. 25,664 (May
5 9, 2014), directing Eversource to rebate RGGI auction revenue it receives through the
6 SCRC rate.

7 **Q. Is Eversource currently proposing a specific SCRC rate and RGGI adder at this**
8 **time?**

9 A. No, it is not. Attachment ELM-1 and Attachment ELM-2 provide rate class specific
10 preliminary rate calculations for the SCRC proposed for August 1, 2019; however, prior
11 to the anticipated hearing in July 2019, Eversource plans to update the SCRC rate
12 calculations for changes attributable to various factors primarily related to the forecasted
13 over/(under)-market cost associated with the ongoing IPPs; Burgess PPA and Lempster
14 over/under-market costs; updated class specific RRB charges to be filed in July; and any
15 additional 2019 actual data available at that time. The preliminary August 1, 2019
16 average SCRC rates (excluding the RGGI rebate amount) provided in this filing are:
17 1.849 cents/kWh for Rate R customers compared to the current rate of 1.522 cents/kWh;
18 1.637 cents/kWh for Rate G customers compared to the current rate of 1.415 cents/kWh;
19 1.400 cents/kWh for Rate GV customers compared to the current rate of 1.198
20 cents/kWh; 0.469 cents/kWh for Rate LG customers compared to the current rate of
21 0.420 cents/kWh; and 1.718 cents/kWh for Rate OL/EOL customers compared to the

1 current rate of 1.720 cents/kWh. Attachment ELM-3 and Attachment ELM-4 provide the
2 preliminary August 1, 2019 RGGI adder rate calculation that results in the RGGI adder
3 changing from the current rate of negative 0.134 cents/kWh to negative 0.129 cents/kWh
4 for all customer classes.

5 **Q. Historically, there was a single average SCRC rate that was applied to all**
6 **customers. Why are there now class specific average SCRC rates?**

7 A. As part of the Settlement Agreement approved in Docket No. DE 14-238 at Line 252 of
8 Section III.A, the SCRC revenue requirement is to be allocated to each rate class as
9 follows: 5.75% to Rate LG, 20.00% to Rate GV, 25.00% to Rate G, 48.75% to Rate R,
10 and 0.50% to Rate OL. Applying this differing allocation by rate class means that there
11 can no longer be a single average SCRC rate for all customers. Page 1 of Attachment
12 ELM-1 provides the rate class specific average SCRC rates including and excluding the
13 RGGI adder.

14 **Q. What are the major reasons for the increase in the SCRC rate from the rates**
15 **currently in effect?**

16 A. The increase in the preliminary SCRC rates effective August 1, 2019 as compared to the
17 current rates is due to higher forecasted RRB costs, and higher Part 2 costs offset by
18 higher revenues than forecast for the February 1, 2019 rates. The table below provides
19 additional detail identifying the variance from the underlying cost in the rates that were
20 approved for February 1, 2019 and this August 1, 2019 preliminary rate filing.

Description	Approved	Preliminary	Inc/(Dec)
	February 1 Rates	August 1 Rates	
Revenues	(96,846)	(96,864)	(18)
Part 1 Costs	60,079	62,405	2,326
Part 2 Costs:			
Amortization and Return on IPP Buydowns/Buyouts	499	528	29
Above Market Non-Wood IPPs	2,988	2,869	(119)
Above Market Cost of Burgess	38,225	43,289	5,064
Above Market Cost of Lempster	1,026	1,602	576
Total Above Market IPA & PPA Costs	42,239	47,760	5,521
Energy Service REC Revenues Transfer	(3,313)	(4,475)	(1,162)
REC Sales Proceeds/RPS True-up	-	(299)	(299)
ISO-NE Other/Residual Hydro O&M	-	804	804
Seabrook Costs/Credits	-	(436)	(436)
EDIT	(5,480)	(5,471)	9
CSL Contract Settlement	-	3,421	3,421
Total Part 2 Return	(46)	227	273
Total Part 2 SCRC Costs	33,899	42,059	8,160
01/31/19 Under Recovery	2,868	1,519	(1,349)
Total Part 1 and 2 Costs plus 01/31/19 Under Recovery	96,846	105,983	9,137
Revenues			(18)
Total Increase in Costs			9,119

- 1 **Q. Please describe the detailed support for the calculation of the average SCRC rate**
2 **provided in Attachments ELM-1 and ELM-2.**
- 3 A. Attachment ELM-1, page 1 provides the calculation of the average SCRC rates for the 5
4 rate classes incorporating the cost allocation for each rate class defined in the settlement
5 agreement approved in Docket No. DE 14-238. Page 2 provides a summary of 2019 cost
6 information related to the Part 1 and Part 2 costs. Page 3 provides the estimated rate class

1 specific RRB charges that were calculated when the RRBs were issued. Page 4 has been
2 provided to reconcile the amount of funds that are collected through the RRB charge by
3 its inclusion in the SCRC with the amount of funds that are in the Collection and Excess
4 Funds trust accounts. It is important to note that customers are not directly paying the
5 principal, interest and fees associated with the RRBs in the SCRC rate calculation.
6 Instead, customers are paying an RRB charge as part of the overall SCRC rate that results
7 in remittances to the RRB trust that are used to satisfy the principal, interest and fees of
8 the RRBs. The RRB charge is calculated to satisfy the principal, interest and fees of the
9 RRBs. Page 5 provides detailed cost information by month related to the Part 2 ongoing
10 costs, and summary information for the Burgess and Lempster contracts as well as cost
11 and actual revenues associated with the purchases of RECs from these contracts and the
12 transfer of REC revenues between the ES rate and the SCRC rate to account for the Class
13 1 RECs necessary to satisfy the Class 1 REC requirement for ES. Page 6 has been added
14 to provide additional details related to the Burgess and Lempster contracts as well as the
15 cost associated with the RECs purchased under these contracts and the transfer of
16 revenues between the SCRC and the ES rates. Attachment ELM-2, pages 1 through 6
17 provide the detailed cost and revenue components relating to the - SCRC reconciliation
18 for the 13 months ended January 31, 2019.

19 **Q. How have the August 1, 2019 RRB charges been calculated?**

20 A. The RRB charges are estimates that were calculated using rates established in the Routine
21 True-up Letter dated January 7, 2019 in Docket No. DE 17-096. In the estimate months,

1 these charges are multiplied by the forecasted sales for each rate class. Since there is a
2 one-month lag in the RRB remittance process, the forecasted sales are also reported on a
3 one-month lag on Attachment ELM-1, Page 3. These estimates represent a reasonable
4 estimate of the expected RRB charges.

5 **Q. Could you please provide additional details for the Part 2 on-going costs included on**
6 **page 5 of Attachment ELM-1?**

7 A. Yes. The costs included in this preliminary SCRC filing on page 5 are:

- 8 1. (Lines 3 through 6): Non-Wood IPPs: All costs and market revenues associated
9 with the existing IPPs. Prior to divestiture, any benefit of below market energy or
10 capacity associated with the IPPs was included in the Energy Service rate, while
11 the above market portion was included in the SCRC. Consistent with the
12 settlement in Docket No. DE 14-238, all IPP costs and revenues, whether above
13 or below market, are included in the SCRC.
- 14 2. (Line 7) Burgess PPA: Effective April 1, 2018, the costs and market revenues
15 associated with the Burgess PPA are included in the SCRC. Line 11 shows the
16 net cost of the Burgess PPA. Additionally, provided in Attachment ELM-1 (page
17 6) is support for the underlying forecast assumptions related to the costs and
18 revenues associated with the Burgess PPA by month.
- 19 3. (Line 8) Lempster PPA: Effective April 1, 2018, the costs and market revenues
20 associated with the Lempster PPA are included in the SCRC. Line 12 shows the
21 net cost of the Lempster PPA. Additionally, provided in Attachment ELM-1 (page

1 6) is support for the underlying forecast assumptions related to the costs and
2 revenues associated with the Lempster PPA by month.

- 3 4. (Line 9) Energy Service REC Revenues Transfer: This line has been included to
4 capture the transfer of the RECs necessary to satisfy the Class 1 REC obligation
5 for ES customers. This is consistent with the treatment of Class 1 RECs described
6 in Section II.H of the November 27, 2017 settlement in Docket No. DE 17-113
7 where it states: “As to Eversource's RPS obligation relevant to Class I, the
8 Settling Parties agree that it shall be managed in a manner consistent with that
9 described on page 14 of the initial Testimony of Shuckerow, White & Goulding”.

10 That testimony provides, with reference to the Burgess and Lempster contracts:

11 The REC amounts purchased from these sources may more than
12 meet energy service obligation quantities, eliminating the need for
13 Class I purchases. Since the 2015 Agreement calls for the costs of
14 those PPAs to be recovered via the SCRC, a transfer price for
15 RECs obtained under those PPAs used to satisfy RPS needs for ES
16 customers must be set. In order to properly account for these Class
17 1 REC purchases for both ES and SCRC purposes, Eversource
18 proposes to establish a transfer price equal to the Class I REC
19 prices established via the mechanism described previously.

- 1 5. (Line 10): REC Sales Proceeds: As Class 1 RECs in excess of those necessary to
2 satisfy the energy service Class 1 REC requirement are sold, the proceeds
3 associated with the sales will be included in actual data.
- 4 6. (Line 11) ISO-NE Other: The costs included in this line are miscellaneous ISO
5 resettlement costs along with credits that were historically included in the ES rate.
- 6 7. (Line 12) Seabrook Costs and Credits: Charges and credits related to Seabrook
7 Power contracts between Eversource and North Atlantic Energy Company
8 (NAEC).
- 9 8. (Line 13-2) Excess Deferred Income Taxes (“EDIT”): At the end of 2017, the
10 Federal and State tax rates changed which resulted in EDIT. That excess is to be
11 refunded to customers. Attachment ELM-5 provides the estimated annual return
12 of EDIT that will be refunded as a credit to Part 2 costs of the SCRC rates and
13 line 16 contains that EDIT by month for the 2019 SCRC year.
- 14 9. (Line 14) CSL Contract Settlement: In accordance with Order No. 26,238 in
15 Docket No. DE 17-075, Eversource is including the \$3.4 million attributable to
16 settlement of a shipping contract with CSL.

17 **Q. Could you please also provide additional details on the costs on Lines 3 through 16**
18 **on page 5 of Attachment ELM-2?**

19 A. The costs included on Lines 3 through 16 in this preliminary SCRC filing on page 5 of
20 ELM-2 are:

- 1 1. (Lines 3 through 6): Non-Wood IPPs: All costs and market revenues associated
2 with the existing IPPs. Prior to divestiture, any benefit of below market energy or
3 capacity associated with the IPPs was included in the ES rate, while the above
4 market portion was included in the SCRC. Consistent with the settlement in
5 Docket No. DE 14-238, all IPP costs and revenues, whether above or below
6 market, are included in the SCRC.
- 7 2. (Line 7) Burgess PPA: Effective April 1, 2018, the costs and market revenues
8 associated with the Burgess PPA are included in the SCRC. Line 11 shows the
9 net cost of the Burgess PPA. Additionally, provided in Attachment ELM-2 (page
10 6) is support for the underlying forecast assumptions related to the costs and
11 revenues associated with the Burgess PPA by month.
- 12 3. (Line 8) Lempster PPA: Effective April 1, 2018, the costs and market revenues
13 associated with the Lempster PPA are included in the SCRC. Line 12 shows the
14 net cost of the Lempster PPA. Additionally, provided in Attachment ELM-2
15 (page 6) is support for the underlying forecast assumptions related to the costs and
16 revenues associated with the Lempster PPA by month.
- 17 4. (Line 9) Energy Service REC Revenues Transfer: This line has been included to
18 capture the transfer of the RECs necessary to satisfy the Class 1 REC obligation
19 for ES customers. This is consistent with the treatment of Class 1 RECs described
20 in Section II.H of the settlement in Docket No. DE 17-113 where it says: “As to
21 Eversource's RPS obligation relevant to Class I, the Settling Parties agree that it
22 shall be managed in a manner consistent with that described on page 14 of the

1 initial Testimony of Shuckerow, White & Goulding”. That testimony provides,
2 with reference to the Burgess and Lempster contracts:

3 The REC amounts purchased from these sources may more than
4 meet energy service obligation quantities, eliminating the need for
5 Class I purchases. Since the 2015 Agreement calls for the costs of
6 those PPAs to be recovered via the SCRC, a transfer price for
7 RECs obtained under those PPAs used to satisfy RPS needs for ES
8 customers must be set. In order to properly account for these Class
9 1 REC purchases for both ES and SCRC purposes, Eversource
10 proposes to establish a transfer price equal to the Class I REC
11 prices established via the mechanism described previously.

- 12 5. (Line 10) Non-scrubber energy service under recovery: Consistent with the
13 settlement in Docket No. DE 17-113, these costs have been included in the SCRC
14 calculation. Please refer to Attachment ELM-6 for supporting information that
15 was submitted as part of the Quarterly ES/SCRC filing in Docket No. DE 17-151
16 for the cost and revenues that result in the March 31, 2018 under-recovery
17 position. The \$824 thousand amount in July 2018 represents the true up
18 associated with the estimated 2017 NWPP REC revenues that were included in
19 the March 31, 2018 non-scrubber under recovery to the actual amount of NWPP
20 REC revenues once the 2017 REC compliance year was complete and all NWPP
21 RECs had been sold.

- 1 6. (Line 11): REC Sales Proceeds/2017 RPS True-Up: This line includes the
2 following items:
- 3 a. The loss (the net of revenues and costs) on 2017 REC sales.
- 4 b. The June 30, 2018 Class 1 REC inventory balance of unsold 2016 and
5 2017 RECs.
- 6 c. The 2017 RPS requirement true-up that is completed annually in June of
7 the following compliance year to true-up the actual RPS compliance
8 amount from the amount that was collected from customers in 2017.
- 9 d. Proceeds from the sales of 2018 RECs (Burgess and Lempster). The costs
10 for these 2018 REC sales are included in Lines 2 and 3 (with additional
11 detail provided on page 6, Lines 7 through 9 and Lines 17 through 19) as
12 the RECs are delivered.
- 13 7. (Line 12) ISO-NE Other/Residual Hydro O&M: The costs included in this line
14 are miscellaneous ISO resettlement costs along with credits that were historically
15 included in the ES rate. Additionally, included in this line are ongoing costs
16 associated with the hydro units that are expected for the next few months.
- 17 8. (Line 13) Seabrook Costs and Credits: Charges and credits related to Seabrook
18 Power contracts between Eversource and North Atlantic Energy Company
19 (NAEC).
- 20 9. (Line 14) Returned on Stranded Thermal Assets: The return on the stranded
21 thermal assets is the carrying charge on the stranded thermal assets at the
22 stipulated rate of return prior to securitization.

1 10. (Line 15) Amortization of the Scrubber Deferral: Consistent with the terms of the
2 settlement approved in Docket No. DE 14-238, this is the continuation of the
3 amortization over a seven-year period of the scrubber deferral until securitization.

4 11. (Line 16) Excess Deferred Income Taxes (“EDIT”): At the beginning of 2018, the
5 Federal and State tax rates changed which resulted in EDIT. That excess is to be
6 refunded to customers.

7 12. (Line 17) 2018 SCRC True up: In January 2019, a post-year-end adjustment is
8 calculated for the December 31, 2018 SCRC deferral balance.

9 **Q. Referring to ELM-1, page 5, has Eversource included the cost of the shipping**
10 **contract Settlement and Release described in the Testimony of Fredrick White in**
11 **Docket No. DE 17-075 in the March 31, 2018 non-scrubber ES under recovery?**

12 A. Yes. In accordance with Order No. 26,238 dated April 25, 2019, in DE 17-075, the
13 \$3.4M payment associated with the settlement paid in December 2016 has been included
14 in this rate filing on Line 14.

15 **Q. Please describe the detailed support for the calculation of the RGGI rate provided**
16 **in Attachments ELM-3 and ELM-4.**

17 A. In Order No. 25,664 in Docket No. DE 14-048, and pursuant to RSA 125-O:23, II, the
18 Commission ordered that certain proceeds from the quarterly RGGI auctions be rebated
19 to Eversource’s customers through the SCRC. Attachment ELM-3, page 1, and
20 Attachment ELM-4, page 1 provide a summary of 2019 and 2018 information related to
21 RGGI auctions and the amounts allocated to Eversource for refund.

1 **Q. Is Eversource currently proposing a specific RGGI rate at this time?**

2 A. No, it is not. Attachment ELM-3, page 1 provides a preliminary rate calculation;
3 however, prior to the anticipated hearing in July 2019, Eversource plans to update the
4 RGGI rate calculation for additional 2019 data. The preliminary August 1, 2019 RGGI
5 rate provided in this filing is negative 0.129¢/kWh and is 0.005¢/kWh lower than the
6 current February 1, 2019 RGGI rate of negative 0.134¢/kWh.

7 **Q. Does Eversource require Commission approval of the SCRC rate billed to**
8 **customers by a specific date?**

9 A. Yes, Eversource would need final approval of the SCRC & RGGI rate by July 25, 2019,
10 to implement the new rates for service rendered on and after August 1, 2019.

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

12 A. Yes, it does.