

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 19-108**

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

**Petition for Adjustment to Stranded Cost Recovery Charge Rate**

**Order Approving Adjustment to Stranded Cost Recovery Charge Rate**

**ORDER NO. 26,277**

**July 31, 2019**

**APPEARANCES:** Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; the Office of the Consumer Advocate, by Brian D. Buckley, Esq., on behalf of residential ratepayers; and Paul B. Dexter Esq., on behalf of Commission Staff.

This order approves an adjustment to the Stranded Cost Recovery Charge for Eversource's customers effective with services rendered on August 1, 2019. For residential class customers, the average Stranded Cost Recovery Charge will increase from 1.388 cents per kWh to 1.752 cents per kWh. The Stranded Cost Recovery Charge is one of four rate components that will change on August 1, as discussed below.

**I. BACKGROUND AND PROCEDURAL HISTORY**

On June 6, 2019, Public Service Company of New Hampshire d/b/a Eversource Energy (PSNH, Eversource, or the Company) filed a petition to adjust its Stranded Cost Recovery Charge (SCRC) for the six-month period beginning August 1, 2019. The Office of the Consumer Advocate (OCA) filed a letter of participation on June 18, 2019.

On July 18, 2019, Eversource updated its calculation of the SCRC rates. In the update, Eversource proposed an average SCRC for residential rate class customers of 1.882 cents per kilowatt hour (kWh), an increase from the current average of 1.522 cents per kWh, excluding the

credit associated with the Regional Greenhouse Gas Initiative (RGGI).<sup>1</sup> Hearing Exhibit (Exh.) 3 at 5. Eversource proposed an updated RGGI credit of 0.130 cents per kWh, as compared to the current credit of 0.134 cents per kWh. *Id.* at 16. Eversource also proposed specific rates within each rate class. Exh. 4 at 1 and 3.

The SCRC recovery mechanism was initially established pursuant to the 1999 Agreement to Settle PSNH Restructuring in Docket No. DE 99-099 (1999 Agreement), which defined stranded costs and separated them into three categories: Part 1, Part 2, and Part 3. The original stranded costs associated with Part 1 and Part 3 have been fully recovered. In recent years, the only 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 IPP buy-downs and buy-outs approved by the Commission.

In *Public Service Company of New Hampshire d/b/a Eversource Energy*, Order No. 25,920 (July 1, 2016), the Commission approved the 2015 Restructuring and Rate Stabilization Agreement (2015 Agreement). The 2015 Agreement provided for the divestiture of Eversource’s generation assets and recovery of stranded costs associated with divestiture. Pursuant to the 2015 Agreement, a portion of the costs associated with divestiture are recovered through Rate Reduction Bonds (RRBs) as a new Part 1 stranded cost, to be recovered through the SCRC. The 2015 Agreement also included various new costs in the calculation of the Part 2 stranded cost rate. The SCRC rate currently includes Part 1 and Part 2 stranded costs.

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<sup>1</sup> Pursuant to RSA 125-O:23 and Order No. 25,664, Eversource returns RGGI auction proceeds in excess of \$1.00 per allowance to all retail customers.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2019/19-108.html>.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Eversource**

Eversource explained that new RRBs were issued in May 2018 and are included as Part 1 costs in the SCRC rate. Eversource said that it files the RRB true-up results annually in January, and as a result, Part 1 RRB costs may change effective with services rendered as of February 1 of each year. Eversource stated that the costs of the RRBs decreased on February 1, 2019, from an average residential RRB rate of 1.338 cents per kWh to 0.948 cents per kWh. The Company also stated that with its next RRB rate change request, Eversource will provide a reconciliation to show the actual RRB remittances applied to the RRB payments as compared to the forecast used to develop the RRB rates.

Part 2 costs continue to include all costs and market revenues associated with the existing IPPs and the amortization of payments previously made for IPP buy-downs and buy-outs as approved by the Commission. In addition, Part 2 costs now include: (1) the costs and market revenues associated with the Burgess and Lempster power purchase agreements (PPAs); (2) miscellaneous ISO New England costs; (3) losses on sales of renewable energy certificates purchased pursuant to the Burgess and Lempster PPAs; (4) excess deferred income taxes associated with the reduction in federal corporate income tax rates; and (5) payments related to a contract settlement with Canadian Steamship Lines (CSL) related to coal shipping. The 2015 Agreement also authorizes Eversource to recover prudently incurred decommissioning, environmental, and other residual costs or liabilities related to the divestiture of generation

assets, through Part 2 of the SCRC. The Part 2 SCRC rate in this filing does not include any payments in lieu of taxes or decommissioning costs as provided by the 2015 Agreement, because Eversource has not yet fully accounted for those costs. The SCRC rate calculation includes refunds from RGGI, which is a credit of 0.130 cents per kWh to customer rates.

According to Eversource, the SCRC is increasing to generate adequate revenue to cover the RRB expenses. Increases in Part 2 above-market IPP and PPA costs (\$5.6 million), the inclusion of Part 2 CSL contract settlement costs, and a lower revenue forecast are also contributing to the increase. These factors were offset by a lower prior-period under-recovered balance.<sup>2</sup>

Eversource explained that, historically, there was a single average SCRC rate that was applied to all customers. As part of the 2015 Agreement, the SCRC revenue requirement is now allocated to each rate class according to the following percentages: 48.75 percent to residential customers (Rate Class R); 25 percent to general service customers (Rate Class G); 20 percent to primary general service customers (Rate Class GV); 5.75 percent to large general service customers (Rate Class LG); and 0.50 percent to outdoor lighting customers (Rate Class OL). There are various rates within each rate class. Applying this allocation methodology means that there is no longer a single SCRC rate for all customers, or even a uniform rate for each rate class.

Based on the revenue requirement calculated in the July 18 update and the allocation percentages described above, Eversource estimated that residential class customers would pay an average SCRC of 1.882 cents per kWh, an increase from the current average of 1.522 cents per

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<sup>2</sup> SCRC rates are often characterized as “reconciling.” This means that every time SCRC rates are adjusted, part of the rate is set either to return money to ratepayers if Eversource collected more than it expected in the prior period, or to collect additional revenue if the prior period recovery was lower than expected. Here, the lower prior-period under-recovery means that Eversource does not need to collect as much from ratepayers to reconcile its receipts now, as it did the last time SCRC rates were adjusted.

kWh, excluding the RGGI adder. With the RGGI adder credit of 0.130 cents per kWh, the resulting average rate for residential class customers would be 1.752 cents per kWh.

The average SCRC rates for customer classes under the July 18 update, prior to including the RGGI credit, were proposed as follows:

<u>Rate Class</u>	Average SCRC Rates (cents per kWh)
R	1.882
G	1.674
GV	1.433
LG	0.480
OL	1.685

With the RGGI credit, the average residential SCRC for rate class R, which includes Part 1 and Part 2 costs, would be 1.752 cents per kWh, an increase from the current average of 1.388 cents per kWh.<sup>3</sup> Eversource proposed several rate changes for effect on August 1, 2019, including: SCRC rates, Transmission Cost Adjustment Mechanism rates, energy service rates, and distribution rates. The result for a residential customer using 600 kWh per month and taking energy service from Eversource would be a monthly decrease of about 23 cents, or 0.2 percent, as a result of all these rate changes.

#### **B. OCA**

The OCA took no position on the proposed SCRC rates.

#### **C. Staff**

Staff supported the proposed rates.

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<sup>3</sup> The actual SCRC rate for customers billed under Residential Rate R (one typical rate within the residential rate class) would be \$0.01764 per kWh.

### III. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to determine the just, reasonable, and lawful rates to be charged by public utilities. 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 [restructuring] policy principles.” RSA 374-F:3, XII(d).

We approve the rates for the SCRC that Eversource proposed. We find that Eversource appropriately calculated the SCRC rates to reflect updated actual and estimated costs, including the impact of changes in the forecasted market prices associated with energy purchases from IPPs, the RRBs, and the new SCRC stranded costs. We also find that the resulting rates are just and reasonable as required by RSA 374:2 and RSA 378:7.

This SCRC rate change, combined with adjustments to Eversource’s distribution, energy service, and TCAM rates, all for effect August 1, 2019, will result in an overall 0.2 percent decrease in monthly bills for residential customers who use 600 kWh per month and take energy service from Eversource, as compared with the current period. When compared to rates in effect for the same period last year (August 1, 2018, through January 31, 2019), the bills for those residential customers will be approximately 0.3 percent lower, primarily due to the decrease in the energy service charge.

For residential customers taking energy service from a competitive supplier, the delivery portion of the monthly bill will increase by approximately 10.9 percent compared to what they are currently paying.

**Based upon the foregoing, it is hereby**

**ORDERED**, Eversource's average SCRC rate, including the RGGI adder, for effect on a service-rendered basis for the six-month period beginning August 1, 2019, as depicted in Hearing Exhibit 3 is hereby APPROVED; and it is


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

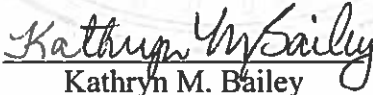
**FURTHER ORDERED**, that Eversource shall, on an ongoing basis, reconcile the estimated Part 2 SCRC costs with actual costs, and include the reconciliation in subsequent rate calculations; and it is

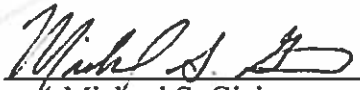
**FURTHER ORDERED**, that all Part 2 SCRC costs shall be subject to Staff Audit and that the accuracy and prudence of those costs will be reviewed in a subsequent proceeding; and it is

**FURTHER ORDERED**, that Eversource shall file conforming tariff pages pursuant to N.H. Code Amin Rules Puc 1603, within 20 days of the day of this order.

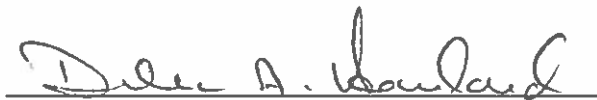
By order of the Public Utilities Commission of New Hampshire this thirty-first day of July, 2019.

  
Martin P. Honigberg  
Chairman

  
Kathryn M. Bailey  
Commissioner

  
Michael S. Giaimo  
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Attested by:

  
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