

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-566

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

Request to Adjust Transmission Cost Adjustment Mechanism Rate

Approving Revision to Transmission Cost Adjustment Mechanism Rate

O R D E R N O. 25,912

June 28, 2016

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

In this Order, the Commission approves the request of Eversource to increase its average transmission cost adjustment mechanism rate effective with services rendered on and after July 1, 2016. The rate will increase from the current average rate of 1.785 cents per kWh to 2.193 cents per kWh. This change, combined with changes to the Company's energy service, stranded cost adjustment charge and reliability enhancement program rates, all for effect July 1, 2016, will result in an overall increase in monthly bills from \$115.79 to \$125.55, an increase of 8.4 percent, for the typical residential customer taking energy service from Eversource and using 625 kWh per month. For Eversource residential customers taking energy supply from a competitive supplier, the non-energy portion of the monthly bill will increase by approximately 7 percent.

I. PROCEDURAL BACKGROUND

On May 13, 2016, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed a petition requesting approval of a new average transmission cost adjustment

mechanism (TCAM) rate to be effective with services rendered on and after July 1, 2016. The Commission established the TCAM for the reconciliation and recovery of transmission expense and revenues pursuant to a settlement agreement approved in *Public Service Company of New Hampshire*, Order No. 24,750 (May 25, 2007), in the Company's 2006 distribution rate proceeding. In the May 13 filing, Eversource advised that it would file a new proposed TCAM rate after revised wholesale transmission rates, which are set by the Federal Energy Regulatory Commission (FERC), were in effect. The Commission issued an Order of Notice on May 20, 2016. On June 15, 2016, the Office of Consumer Advocate (OCA) filed a notice of participation in this docket on behalf of residential ratepayers pursuant to RSA 363:28. Eversource made its TCAM filing on June 17, 2016, with supporting testimony and related exhibits. In the filing, Eversource requested approval of an average TCAM rate of 2.193 cents per kWh, from the current average TCAM rate of 1.785 cents per kWh, to be effective with services rendered on and after July 1, 2016.

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.nh.gov/Regulatory/Docketbk/2016/16-566.html>.

II. POSITIONS OF THE PARTIES

A. Eversource

Eversource testified that the TCAM allows the Company to fully recover certain defined FERC and/or Commission-approved transmission costs.¹ The proposed average TCAM rate is based on a reconciliation of historic and forecasted transmission costs, using the latest transmission rates approved by the FERC.

¹ In Order No. 25,123, the Commission approved recovery of transmission-associated administrative costs and working capital requirements associated with transmission through the TCAM rate.

The Company's rate calculation includes two groups of transmission costs. The first group consists of four categories of wholesale transmission costs that are regulated by FERC, and charged to Eversource by the Independent System Operator-New England (ISO-NE): (1) regional network service (RNS) costs, (2) local network service (LNS) costs, (3) reliability costs, and (4) scheduling and dispatch costs. The second group of costs include Hydro-Quebec support costs offset by related revenues, and the TCAM working capital allowance.

RNS costs are based on FERC-approved tariffs, are related to the costs required to support the regional transmission infrastructure throughout New England, and are billed to all entities in the region that have RNS load responsibilities based on the entity's monthly peak load. LNS costs encompass local transmission costs incurred by Eversource Energy (the parent company of Eversource operating in New Hampshire) that are not included in the FERC-approved tariffs and are allocated to Eversource based on load ratio share calculated by using a rolling twelve-month coincident peak.

RNS reliability costs include black start capability and reactive power expressed as volt-ampere reactive (VAR). Black start cost support consists of payments to certain generating units that have demonstrated their ability to start and energize the electrical grid without relying on the external electric power transmission network to begin operation. VAR support represents payment to qualified generating units that are capable of providing reactive power to maintain transmission voltages necessary for the operation of the New England transmission system. ISO-NE bills reliability costs to all entities in the region that have RNS load responsibility based on the entity's monthly peak load.

Scheduling and dispatch costs are associated with services provided by ISO-NE related to scheduling, system control, and dispatch services. Those costs are also billed by ISO-NE to all

entities that have RNS load responsibility based on their monthly peak load, in accordance with applicable FERC tariffs.

Hydro-Quebec support costs are associated with FERC-approved contractual agreements between Eversource Energy subsidiaries, including Eversource, and other New England utilities to provide support for transmission and terminal facilities that have been used to import electricity from Hydro-Quebec in Canada. Under those agreements, Eversource is charged its proportionate share of operation and maintenance capital costs for a thirty-year period ending 2020. Effective July 1, 2010, Eversource also began returning its share of any Hydro-Quebec facility revenues as a revenue credit in the calculation of the TCAM rate.

When the TCAM rate was first approved in Order No. 24,750, the rate did not include an allowance for working capital related to transmission, and the associated working capital was recovered through distribution rates. In *Public Service Company of New Hampshire*, Order No. 25,123 (June 28, 2010), in the Company's 2009 distribution rate case, the Commission approved the recovery of transmission-related working capital through the TCAM rate. Eversource calculated the TCAM working capital using a 45-day formula, the maximum allowed by the Commission's Puc Part 1600 rules. The Company said that it has been at least 10 years since it has conducted a lead/lag study to determine the appropriate working capital requirement.

The TCAM allows the Company to set transmission rates for a defined future billing period (forecast period) based on transmission cost estimates, using current and forecast data, most of which is provided by the ISO-NE. The TCAM also includes all available actual cost and revenue data for the 18-month period just prior to the forecast period. The reconciliation contains actual cost data available at the time of the filing, as well as over- or under-recoveries that are rolled into the next TCAM rate. The forecast period in this filing is the 12-month period

July 2016 through June 2017, and the reconciliation period includes actual calendar year 2015 costs, actual January through April 2016 costs, and estimated costs for May and June 2016.

Eversource said that, beginning in 2011, four separate complaints were filed at FERC by combinations of New England state attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties seeking to reduce the allowed return on equity on certain transmission investments. The first complaint resulted in a refund to customers, which were included in Eversource's 2015 reconciliation period. No additional refunds were included in this filing because the final decisions on the other three complaints are not expected until at least late 2016 or early 2017.

Eversource said it calculated the rate in the manner required by the settlement agreement in DE 06-028, approved by Order No. 24,750, in the same manner that they have been calculated since the approval of that settlement. In simple terms, with the exception of Backup Delivery Service Rate B, the Company adjusts all transmission rates by an equal percentage to achieve the overall average transmission rate, in this case, 2.193 cents per kWh. According to Eversource, the increases are primarily due to RNS and LNS expenses that are higher in the forecast period than in the currently allowed period, as well as a prior year under-recovery of \$10 million, compared to the prior-year over-recovery of \$3 million, which is included in the current TCAM rate of 1.785 cents per kWh.

For Rate B, the DE 06-028 settlement agreement provides that transmission costs be recovered through a demand charge, and it splits the demand charge into two components for rate calculation purposes: a base component and an incremental component. The settlement agreement describes the cost allocation for the base component, and it also states that other transmission rates will be calculated through equal percentage adjustments. To calculate the base component, a portion of the TCAM costs are allocated to Rate B based on the class

contribution to the Company's demand at the time of the Eversource monthly system peaks. The costs are reconciled against actual revenue for the class, with any resulting over- or under-recovery flowing into the rate calculation. The incremental component of the rate is adjusted by the same percentage applied to all other rates.

Eversource concluded by asking the Commission to approve its filing with rates to be effective for services rendered on and after July 1, 2016.

B. OCA

The OCA expressed concern regarding the excessive return earned for transmission projects that are passed through to customers based on FERC-approved tariffs. Noting that the Commission had no jurisdiction to change the rates, the OCA acknowledged that the average TCAM rate proposed by Eversource in its filing was just and reasonable, and should be approved by the Commission.

C. Commission Staff

Staff said that Eversource had appropriately calculated the proposed average TCAM rate of 2.193 cents per kWh, and that the filing should be approved. Staff suggested that the Commission require Eversource to conduct a lead/lag study before it makes its filing for 2017 rates.

III. COMMISSION ANALYSIS

We have reviewed the petition along with the supporting documentation and calculations and the other evidence in the record. We find that Eversource used the appropriate method to calculate the TCAM and associated rates for transmission expenses consistent with the terms of the settlement agreement approved in Order No. 24,750. We are satisfied that the transmission costs included in the filing are consistent with applicable FERC-approved tariffs, and that the resulting rates are just and reasonable pursuant to RSA 378:7 and RSA 374:2. Therefore, we

approve the Company's requested overall average TCAM rate of 2.193 cents per kWh effective with services rendered on and after July 1, 2016.

We require Eversource, in its next TCAM filing, to file a more detailed description of the projects included in the LNS rates, and to provide a witness to testify regarding the transmission planning process at ISO-NE. In addition, we direct Eversource to conduct a lead/lag study, in consultation with Staff and the OCA, to be completed within a time to allow the results of the study to be applied to its proposed 2017 energy service rate calculation. Those results shall also be applicable to Eversource's next TCAM rate filing.

This is one of four dockets in which we are issuing orders today that adjust Eversource rates effective on a service rendered basis on and after July 1, 2016. The four dockets are (1) the instant docket, to adjust the Company's average TCAM rate; (2) Docket No. 15-415, Eversource's energy service rate; (3) DE 15-416, Eversource's average stranded cost recovery charge; and (4) DE 09-035, Eversource's reliability enhancement and vegetation management program. Overall, the average total bill impact of the four rate changes for residential customers using 625 kWh per month who have not taken service from a competitive supplier is an 8.4 percent increase in monthly bills, from \$115.79 to \$125.55. Residential customers who take service from a competitive supplier will experience a 7 percent increase in the non-energy portion of the bills. None of the four orders being issued today will have any effect on the energy portion of the bill for someone receiving energy from a competitive supplier.

Based upon the foregoing, it is hereby,

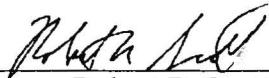
ORDERED, that the petition by Eversource for approval of an average transmission cost adjustment mechanism rate of 2.193 cents per kWh, for effect with services rendered on and after July 1, 2016, is hereby APPROVED; and it is

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

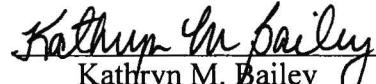
By Order of the Public Utilities Commission of New Hampshire this twenty-eighth day of June, 2016.



Martin P. Honigberg
Chairman

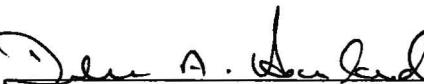


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director