

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 17-196

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

Petition for Continuation of Reliability Enhancement Program

Order Approving Petition

ORDER NO. 26,112

March 12, 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 Eversource's request to continue its Reliability Enhancement Program for calendar year 2018, and to reconcile costs and revenues incurred in 2017. Eversource said that given recent tax law changes no rate adjustment would be necessary at this time to continue the program.

I. PROCEDURAL HISTORY

Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed a petition on December 15, 2017, to extend funding for the Reliability Enhancement Program (REP) including vegetation management program activities for calendar year 2018. Eversource filed the petition pursuant to Order No. 26,034 (June 28, 2017) in Docket No. DE 17-076. In that docket, Eversource filed a proposal to continue the REP for 24 months. Following discussions with the Staff and the Office of Consumer Advocate (OCA), that initial proposal was significantly revised to request continuation of the program through the end of calendar year 2017. Order No. 26,034 directed the Company to work with the Staff and the OCA on the proposal to continue the REP in calendar year 2018.¹

¹ For a complete history of this proceeding, see <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-076.html>.

On December 19, 2017, the OCA filed a letter of participation pursuant to RSA 363:28. A hearing was scheduled for January 26, 2018. On January 24, 2018, Eversource filed supplemental testimony that included updated rate information based on changes made to the federal tax laws. The hearing was held as scheduled.

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/2017/17-196.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

In response to recommendations of Staff and the OCA, Eversource filed a proposal to fund and operate the REP on a calendar-year basis. Eversource testified that the REP has resulted in sustained improvement in the reliability of Eversource's distribution system as demonstrated by various reliability metrics. The REP consists of capital investments and operation and maintenance (O&M) expenses. For 2018, Eversource plans to invest \$9 million in REP capital investments consisting of activities in two categories: \$3 million for circuit tie projects in the towns of Swanzey and Hinsdale, and \$6 million for vegetation management. The projected O&M costs associated with those capital expenses are \$350,000. In support of its REP capital budget, Eversource said that the circuit tie projects target a backup source of power for large radial circuits, and include distribution automation. Work plans were provided for both projects with the filing. With respect to vegetation management, Eversource said that trees continue to be the largest cause of reliability issues, although the frequency of tree related outages has steadily declined since the initiation of the REP. For 2018, Eversource said it plans to invest \$6 million in capital for vegetation management, to complete approximately 100 miles of enhanced tree trimming and hazard tree removal.

Eversource's distribution customers pay for depreciation and other costs associated with capital expenses for the life of the investment in distribution base rates. Since the initiation of the REP, Eversource has treated the costs for vegetation management as a capital expense. Eversource will discontinue this accounting practice as of the end of 2018 and, beginning in 2019, vegetation management will be paid as an O&M expense.

Eversource proposes to continue the troubleshooter program for 2018. The program consists of 20 employees and includes two supervisors. The troubleshooter program includes three, six-person teams working 12-hour shifts, providing continual coverage throughout the year. Approximately 58 percent of the troubleshooter program is dedicated to reliability and that portion, \$2 million, is funded through the REP. The remaining non-REP work conducted by the troubleshooters is funded as operation and maintenance through distribution base rates. Eversource says that by the end of 2018, all charges for the troubleshooters will be moved out of the REP.

In its filing, Eversource provided a reconciliation of REP revenues and expenses incurred between April 1 and October 31, 2017, and forecast through December 31, 2018. The estimated result of the reconciliation is a revenue deficiency of \$1.5 million. Eversource included this amount in the calculation of rates, and will provide a full reconciliation once all the actual costs and expenses for the period April 1, 2017, through December 31, 2018, are known.

Eversource originally anticipated that the program would require an increase to distribution base rates of 0.021 cents per kWh. On January 23, 2018, Eversource submitted a supplemental filing that included a modified rate based on changes in federal tax laws which reduced the federal corporate tax rate from 35 percent to 21 percent. Eversource's supplemental filing also incorporated a reduction in the New Hampshire Business Profits Tax Rate from

8.2 percent to 7.9 percent. Both the federal and state tax changes became effective January 1, 2018 and reduced the company's revenue requirement. As a result, to implement the REP in 2018 as proposed, Eversource withdrew its request for a rate change.

B. OCA

The OCA supports the 2018 REP filing by the Company. At the hearing, the OCA also expressed appreciation for Eversource's work with Staff and the OCA to minimize program costs. In particular, the OCA said it supported the proposed funding of the troubleshooter program through O&M, as well as ending the capitalization of vegetation management costs.

C. Staff

Staff expressed its support for Eversource's proposal, particularly for the plan to end the funding of the troubleshooter program through REP beginning in 2019, and to fund vegetation management from O&M, also effective in 2019. Staff requested that the Commission direct Eversource to meet and work with Staff and the OCA in the development of the 2019 REP plan and budget.

III. COMMISSION ANALYSIS

Based on the record, we approve Eversource's revised proposal to continue funding REP activities for the remainder of 2018. Eversource reduced the rates it initially proposed with approximately \$1.5 million in savings it will incur in connection with federal and state tax changes. The effect of this offset is to completely mitigate the proposed rate increase, and therefore customers will not have to make any additional payment to support REP activities planned for 2018. We find that Eversource's rate calculation results in just and reasonable rates pursuant to RSA 378:7. We also find that the REP activities proposed by Eversource for 2018

are reasonable and consistent with the purpose of the REP program. Further, the change in the treatment of the cost of the troubleshooter program and vegetation management is appropriate.

We approve the accounting changes proposed for effect after 2018 that remove certain expenditures from capital expense.

We direct the Company to continue to file an annual report on the capital REP projects for the prior calendar year, including a narrative as to why those projects were pursued, whether the project costs were over- or under-budget, the reason for any variance, and the effects of REP on safety and reliability metrics. The REP report for 2017 shall include activities from July 1, 2016, through December 31, 2017. We also direct Eversource to meet with Staff and the OCA before they file for any extension of this program, and to continue to incorporate the recommendations of Staff and the OCA into future plans and budgets.

Based upon the foregoing, it is hereby

ORDERED, the REP plan and budget proposed by Eversource for the remainder of 2018 is hereby APPROVED; and it is

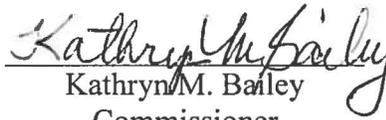
FURTHER ORDERED, that Eversource shall file by May 15, 2018, a summary of the REP capital and other activities for the 18-month period ending December 31, 2017, along with the detail set forth above; and it is

FURTHER ORDERED, that Eversource shall work with Staff and the OCA in advance of requesting any extension of the Reliability Enhancement Program.

By order of the Public Utilities Commission of New Hampshire this twelfth day of
March, 2018.



Martin P. Honigberg
Chairman



Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director