



NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

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June 10, 2015

Ms. Debra A. Howland  
Executive Director  
New Hampshire Public Utilities Commission  
21 Fruit Street, Suite 10  
Concord, New Hampshire 03301

**Re: 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement**

***Docket No. DE 11-250, Public Service Company of New Hampshire, Investigation of Scrubber Costs and Cost Recovery***

***Docket No. DE 14-238, Determination Regarding PSNH's Generation Assets***

***Docket No. DE 09-035, Distribution Service Rate Case***

Dear Director Howland:

On behalf of New Hampshire District 3 Senator Jeb Bradley, New Hampshire District 15 Senator Dan Feltes, the Office of Energy and Planning, Designated Advocacy Staff of the New Hampshire Public Utilities Commission, the Office of Consumer Advocate, the City of Berlin, New Hampshire (subject to ratification by the Berlin City Council), the International Brotherhood of Electrical Workers ("IBEW") Local 1837, the Retail Energy Supply Association, the New England Power Generators Association, the Conservation Law Foundation, the New Hampshire Sustainable Energy Association, TransCanada Power Marketing, Ltd. and TransCanada Hydro Northeast, Inc., Public Service Company of New Hampshire d/b/a Eversource Energy ("PSNH") and Eversource Energy ("ES") (collectively, the "Settling Parties"), I am pleased to enclose for filing the executed "2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement" (the "Agreement"). This Agreement, which is the result of over five months of work by the Parties, represents the successful culmination of the collaborative process referred to in PSNH's December 26, 2014, "Motion to Stay Proceedings" in Docket Nos. DE 11-250 and DE 14-238, and it supersedes the Term Sheet dated March 11, 2015 previously submitted to the Commission and docketed in Docket No. DE 11-250. Eversource expresses its gratitude to the other Settling Parties for their hard work and to the Commission for granting the time required for the settlement process to proceed and succeed.

This Agreement is intended to complete the State's efforts to restructure the electric utility industry that began with the enactment of House Bill 1392, "AN ACT restructuring the electric utility industry in New Hampshire and establishing a legislative oversight committee" in 1996 (1996 N.H. Laws, Chapter 129). Implementation of the Agreement will resolve significant issues pending before the Commission in Docket Nos. DE 11-250 and DE 14-238, and investigated in IR 13-020, via settlement rather than by litigation.

Less than one year ago, the General Court enacted HB 1602, "AN ACT relative to the divestiture of PSNH assets and relative to the siting of wind turbines," which included as one of its express purposes the desire to promote the resolution of outstanding issues involving stranded costs by way of settlement. 2014 N.H. Laws, Chapter 310:1. This new law is consistent with existing law promoting the resolution of issues dealt with in the Agreement via settlement, such as RSA 369-A:1, IV which states, "IV. Structured finance options are best pursued in the context of settlement agreements between a utility and the state concerning the implementation of competition.

Key components of this Agreement include:

- The resolution of various ongoing regulatory proceedings without extended, contentious, and costly administrative and judicial litigation.
- PSNH's agreement to expeditiously pursue the divestiture of its generating plants after a final decision by the Commission approving the settlement set forth in this Agreement.
- Achievement of a number of important objectives, including:
  - Protecting the economic interests of PSNH's electricity customers, with a focus on customer savings as well as long-term rate stabilization;
  - Resolving long-standing issues regarding the restructuring of New Hampshire's electricity market; and
  - Taking advantage of high forward capacity prices and an historically low-cost financing environment;
- PSNH's agreement to forego recovery of \$25 million of previously deferred equity related to the Merrimack Station Scrubber.
- Financing of stranded costs remaining after the divestiture sale and other costs described herein using securitization bonds, at a time of strategically advantageous low interest rates.

- Recovery of any remaining and on-going stranded costs via a Non-Securitized Stranded Cost charge.
- PSNH's agreement to forego the opportunity to file a general rate case with new rates effective prior to July 1, 2017.
- A requirement that the new owner(s) of the generating plants keep those plants in service for at least eighteen months after the date the new owner acquires the plants.
- Protections for the municipalities where the power plants are located, via three years of property tax stabilization payments if a plant sells for less than its assessed value.
- Comprehensive employee protections endorsed and accepted by the IBEW.
- A transition to a competitive procurement process for default service.
- Funding of \$5 million from Eversource shareholders to create a clean energy fund, and a commitment to work with interested parties to establish and implement increased energy efficiency savings and distributed energy investment targets.
- Continuation of PSNH's Reliability Enhancement Program, which has proven to be a valuable investment vehicle for improving grid reliability, resiliency, and automation.

A condition of the Agreement is the enactment of legislation allowing the Commission to approve securitization financing of stranded costs resulting from implementation of the Agreement. The Legislature has passed Senate Bill 221, attached at Appendix A of the Agreement, which would fulfill that condition if signed into law by the Governor. SB 221 includes a provision stating:

**Notwithstanding RSA 374-F:3, VI, the commission may incorporate rate designs that fairly allocate the costs of divestiture of PSNH's generation facilities between customer classes.**

Pursuant to this portion of the legislation, the Agreement includes a provision allocating the Stranded Cost Recovery Charge ("SCRC") post-divestiture between customer classes as follows:

**The SCRC shall be recovered as a non-bypassable charge from all customers served by PSNH within its Service Territory. The SCRC will be allocated to PSNH's customer classes in accordance with the following rate design:**

<b><u>RATE CLASS</u></b>	<b><u>% of REVENUE REQUIREMENT</u></b>
<b>LG</b>	<b>05.75</b>
<b>GV</b>	<b>20.00</b>
<b>G</b>	<b>25.00</b>
<b>R</b>	<b>48.75</b>
<b>OL</b>	<b>00.50</b>

This rate design allocation would be implemented using the methodology set forth in Section III, A of the Agreement. For illustrative purposes, if one were to assume a level of stranded costs based on sale proceeds from divestiture equal to those estimated by La Capra Associates, Inc. in its "PSNH Generation Asset and PPA Valuation Report" dated March 31, 2014, prepared for the Commission and filed in Docket No. IR 13-020, and adjust that level of stranded costs to account for the estimated costs of implementing the Agreement, estimated future retail electricity delivery sales, and estimated securitization interest rates, such a hypothetical calculation and implementation of the rate design allocation set forth in the Agreement would produce first year securitized SCRC rates, which are exclusive of any over-market costs of PSNH's current PPAs, by customer class as follows:

Rate class	% allocation of revenue requirement	Illustrative Part 1 SCRC charge (cents/kWh)
Residential (R)	48.75%	0.82
Rate G	25.00%	0.78
Rate GV	20.00%	0.65
Rate LG	5.75%	0.24
Outdoor Lighting (OL)	0.50%	0.69
<b>Total</b>	<b>100%</b>	

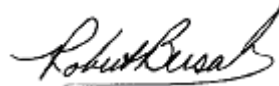
The proposed rate design fairly allocates the costs of divestiture of PSNH's generation facilities between customer classes and takes into consideration the broader impact on the state's economy and the state's ability to attract and retain quality employment.

In support of the Agreement, the Settling Parties are also filing the attached "Joint Motion for Expedited Approval of Settlement Agreement and Rate Adjustments." Contained within that Motion is a proposed procedural schedule that includes, in the near term, the issuance of a Supplemental Order of Notice, as well as dates for the filing of testimony, discovery, and hearings, all with the goal of obtaining the Commission's decision regarding acceptance of the Agreement by the end of this year. Because the Settlement Agreement deals with matters related to PSNH's distribution rates, it is also being filed in Docket No. DE 09-035.

The Settling Parties thank the Commission in advance for its attention to this Agreement. Copies of this filing will be served on all intervenors on the service lists of Docket Nos. DE 09-035; DE 11-250; and DE 14-238.

Please let me know if the Commission has any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert A. Bersak", with a stylized flourish at the end.

Robert A. Bersak  
Chief Regulatory Counsel

cc: Service List, DE 11-250  
Service List, DE 14-238  
Service List, DE 09-035