

THE STATE OF NEW HAMPSHIRE



PUBLIC UTILITIES COMMISSION

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NHPUC 10MAY17PM2:36

May 10, 2017

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

Re: Docket No. DE 17-076
Public Service Company of New Hampshire d/b/a Eversource Energy
Motion to for Approval of Reconciliation and Continuation of Reliability
Enhancement Program
Staff Objection to Motion

Dear Ms. Howland:

On May 1, 2017, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed a motion requesting approval of the reconciliation and continuation of the Reliability Enhance Program (REP). The motion requested that the REP program be continued with targeted funding for a period of two program year, July 2017 through June 2018, and July 2018 through June 30, 2019.

The Commission originally established REP program funding in Eversource's 2006 distribution rate case. *See* Docket No. DE 06-028. The REP was updated and expanded through the approval of a settlement agreement in Docket No. DE 09-035, Eversource's 2009 distribution rate case. *See* Order No. 25,123 (June 28, 2010). Pursuant to the settlement agreement approved in Order No. 25,123, targeted funding for the REP would end on June 30, 2015.

In 2015, Eversource engaged in negotiations with several parties that led to the development of a settlement agreement (Settlement) that resolved a number of issues related to Eversource's divestiture of its existing electric generating fleet. *See* June 10, 2015 filing in at <http://www.puc.nh.gov/Regulatory/Docketbk/2009/09-035.html>. Pursuant to Section E of the Settlement, the settling parties agreed to continue funding the REP through June 30, 2017. The Commission approved the continuation as proposed in the Settlement. *See* Order No. 25,793 (June 25, 2015) and Order No. 25,913 (June 28, 2016).

The Commission recognized that the REP terms of the Settlement expired in June 2017. In Order No. 25,123, the Commission also stated as follows:

“In the event that Eversource seeks to continue its REP activities [beyond June 2017] outside of a distribution rate case, we require the Company to work with Staff and the OCA to develop the program. We note that the REP activities approved in Order No. 25,123 were targeted activities intended address known reliability issues in Eversource’s system. The current REP, which began June 1, 2015, includes many of the same activities, but also includes the Troubleshooter program. We understand OCA’s misgivings about the Troubleshooter program. This program will continue to be evaluated before its approval as part of any future REP.” Order No. 25,913 at 5.

Prior to its filing, Eversource met with Staff to discuss its May 1, 2017 filing; however, Staff reserved its right to investigate the filing. While Staff supports that all three electric distribution utilities in New Hampshire, including Eversource, engage in a REP and vegetation management program to assure system resiliency and reliability, and to minimize interruptions to customer service to the extent possible, Staff objects to a number of aspects of the proposed REP program as filed by Eversource. We explain below.

Plan Year

Staff does not support a two-year REP plan for Eversource. We recommend that Eversource develop an annual plan on a calendar-year basis to permit a more fully informed review of the plan. In the interim, Staff recommends that as a transition to a calendar-year REP plan, Eversource implement a six-month plan for the remainder of 2017 (July through December). For calendar year 2018, Staff supports the development of an REP plan in a manner similar to that adopted by the other electric distribution utilities to allow more input of the Staff and the OCA in REP activities for the forthcoming year.

Capital Spending

In reviewing the filing, Staff observed that that REP capital investment in REP increased dramatically for the July 2015 through the June 2017 period, the two-year period that was continued under the Settlement approved in connection with divestiture. The filing by Eversource does not provide sufficient support for the proposed capital investment for the next REP program period, and as a result, Staff recommends that Eversource plan for REP capital investment in the range of \$10 million in REP capital investment for the remainder of the year (July 1, 2017 through December 31, 2017) and REP program O&M investment not to exceed \$2.5 million.

In addition, Staff recommends that the Commission Audit Staff review Eversource’s capital investment in REP for the two years from July 2015 through June 2017.

Funding

Under Eversource's proposal, the Company proposes to continue to collect revenue from certain surcharges from customers and target that money for REP activities.

The first surcharge, which recovers costs related to the expenses incurred by the Company to repair plant and restore power after the December 2008 ice storm, will be fully amortized as of June 2017. Pursuant to Order No. 25,123, Eversource was allowed to recover costs associated with the ice storm over a period of seven years, whereupon that charge to customers would end. Order No. 25,123 at 10. Accordingly, the charge for recovery of these costs should now be removed from rates, as was anticipated by the parties to the Settlement Agreement approved in Order No. 25,123. Staff does not support the proposal to continue the charge associated with recovery of ice storm costs for the purposes of paying for REP activities.

The second surcharge recovers Medicare expenses related to the enactment of health care reform and was fully amortized as of December 2016. In Order No. 25,238 (June 23, 2011), the Commission approved the rate adjustment to recover the associated Medicare costs over a 5 ½ year period, beginning July 2011. The Commission Order contemplates that once those costs are fully recovered, customers would no longer be charged for the Medicare costs. Again, Staff does not support the proposal to continue the charge associated with recovering Medicare expenses for purposes of paying for REP activities. Any revenues from the Medicare surcharge collected since December 2016 should be credited to customers.

Based on the foregoing, Staff recommends that these surcharges on customers end as contemplated at the time of their approval, and that Eversource's REP budget be reduced by the amount of revenue that Eversource expected from these sources for its REP activities. We estimate that the annual revenue from these two sources is approximately \$7.6 million.

Net Metering and Grid Modernization

In its motion and testimony, Eversource suggests that some of the planned investment is intended to facilitate compliance with net metering requirements and grid modernization improvements. The subject of net metering is being considered in a separate proceeding, and the associated requirements for the electric distribution utilities will be developed in that forum. Similarly, Staff expects that Eversource will have to file a grid modernization plan, assuming the Commission adopts some of the recommendations arising from that docket. Eversource should focus the REP on reliability enhancement and not on grid modernization or net metering improvements. Staff emphasizes that the REP program was created for reliability of service, and not as a means to develop a platform for grid modernization or net metering.

In conclusion, Staff objects to Eversource's May 1, 2017 filing and recommends the Commission reject Eversource's May 1, 2017 filing. Instead, Staff recommends that Eversource modify its REP program for July 2017 through December 31, 2017, and plan for calendar year 2018 REP activities, according to the guidance above.

Sincerely,

A handwritten signature in black ink, appearing to read 'Suzanne Amidon', with a horizontal line extending to the right.

Suzanne Amidon
Staff Attorney

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Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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Docket #: 17-076-1 Printed: May 10, 2017

FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
- DEBRA A HOWLAND
EXECUTIVE DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.