

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 17-081

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

Petition to Change Transmission Cost Adjustment Mechanism Rate

Order Approving Change to Transmission Cost Adjustment Mechanism Rate

ORDER NO. 26,031

June 28, 2017

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 the request of Eversource to increase its average transmission cost adjustment mechanism rate, effective with services rendered on and after July 1, 2017. The rate will increase from the current average rate of 2.193 cents per kWh to 2.318 cents per kWh. This change, combined with changes to the Company's energy service, stranded cost recovery charge, and reliability enhancement program rates, all for effect July 1, 2017, will result in an overall increase in monthly bills from \$122.15 to \$124.51, an increase of 1.9 percent, for a residential customer taking energy service from Eversource and using 600 kWh per month. For Eversource residential customers taking service from a competitive supplier, the delivery portion of the monthly bill will decrease by approximately 1.1 percent.

I. PROCEDURAL HISTORY

On May 15, 2017, 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, 2017. The Commission established the TCAM for the reconciliation and recovery of transmission expense and revenues pursuant to a settlement agreement approved in DE 06-028, Eversource's 2006 distribution rate case. *See* Order No. 24,750 (May 25, 2007).

The Commission issued an Order of Notice on May 18, 2017, and on May 24, 2017, the Office of Consumer Advocate (OCA) filed a notice of participation in this proceeding. On June 16, 2017, Eversource filed a request to increase the TCAM rate from the current average rate of 2.193 cents per kilowatt hour (kWh) to 2.318 cents per kWh, effective on July 1, 2017, on a service-rendered basis. The June 16, 2017, filing included a request that the Commission approve a reconciliation of TCAM-related expenses and revenues for calendar year 2016, actual costs for January through April 2017, and estimated costs for May and June 2017. Finally, Eversource conducted a lead/lag study of transmission-related receipts and revenues, and developed a working-capital requirement based on an overall net lag of 14.9 days.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, will be posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-081.html>.

II. POSITIONS OF THE PARTIES

A. Eversource

Eversource testified the TCAM allows the Company to fully recover certain defined Federal Energy Regulatory Commission (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 (June 28, 2010), 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) RNS reliability costs, and (4) scheduling and dispatch costs. The second group of costs includes Hydro-Quebec support costs offset by related revenues, and the TCAM working capital allowance.

RNS costs are based on FERC-approved tariffs. They are 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 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 costs consist 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 Order No. 25,123, the Commission approved the recovery of transmission-related working capital through the TCAM rate. In prior filings, Eversource used the 45-day formula allowed by the Commission's Puc Part 1600 rules. Consistent with Order No. 25,912 (June 28, 2016), Eversource conducted a lead/lag study to calculate the transmission-related working capital requirement for the instant filing. In prefiled testimony, Eversource presented the results of its study which supports a calculation of overall net lag of 14.9 days. According to Eversource the net effect of applying the results of the lead/lag study decreases the forecasted return on working capital by \$1.5 million when compared to using the 45-day formula. The Company included the results of the lead/lag study in the calculation of rates for effect July 1, 2017.

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 ISO-NE. The TCAM also includes all available actual cost and revenue 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 from July 2017 through June 2018, and the reconciliation period includes actual 2016 calendar year results, actual January through April 2017 results, and estimated results for May and June 2017.

Eversource said that 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, 2.318 cents per kWh. According to Eversource, the increase is driven primarily by increased RNS costs of \$13.4 million and increased LNS costs of \$2.1 million, offset by a decrease in forecasted reliability costs of \$1.5 million, a decrease in the forecasted return on working capital of \$1.5 million due to incorporating results of a specific lead/lag analysis, and a decrease in a forecasted under recovery of \$6.3 million. Eversource included in its testimony an exhibit that listed the RNS projects that cost over \$5 million placed in service in 2016 to complete the filing.

For back-up delivery service (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-collection 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 an average TCAM rate of 2.318 cents per kWh, with rates to be effected for services rendered on and after July 1, 2017.

B. OCA

The OCA expressed concern about residential customers' burden of paying transmission rates that increase from year to year. The OCA, however, recognized that the rates are approved by FERC and are merely passed through to customers, and did not object to the approval of the petition.

C. Staff

Staff said that Eversource had appropriately calculated the proposed average TCAM rate of 2.318 cents per kWh, and recommended that the filing be approved.

III. COMMISSION ANALYSIS

Based on the record before us, 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 by 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 374:2, and RSA 378:7. Therefore, we approve the Company's requested overall average TCAM rate of 2.318 cents per kWh effective with service rendered on and after July 1, 2017.

In the past decade, transmission charges have become a significant portion of charges for delivery service. For example, the average TCAM rate in 2007 was 0.752 cents per kWh, compared to the rate we approve today which is more than three times that amount. RNS transmission rates, approved by FERC, are allocated based on New Hampshire's share of monthly peak load in New England. As other states in the region reduce their share of peak load relative to the total, New Hampshire's share of the peak, and allocation of costs, increases. We direct Staff to work with the Company to consider measures to mitigate this cost shift. We expect the Company to explain its efforts to reduce peak demand in New Hampshire, in future TCAM filings.

This is one of four dockets in which we are issuing an order today that adjusts Eversource rates effective on a service rendered basis on and after July 1, 2017. The four dockets are (1) the instant docket, to adjust the Company's average TCAM rate; (2) DE 16-822, Eversource's energy service rate; (3) DE 16-823, Eversource's average stranded cost recovery charge; and (4) DE 17-076, Eversource's reliability enhancement program. Overall, the average total bill impact of the four rate changes for residential customers using 600 kWh per month who take supply service from Eversource is a 1.9 percent increase in monthly bills, from \$122.15 to \$124.51. Residential customers who take service from a competitive supplier will experience a 1.1 percent decrease in the non-energy portion of their 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.

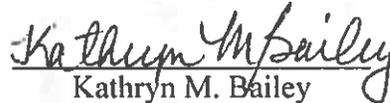
Based upon the foregoing, it is hereby

ORDERED, that the petition by Eversource for approval of an average transmission cost adjustment mechanism rate of 2.318 cents per kWh, for effect with services rendered on and after July 1, 2017, is hereby **APPROVED**; and it is

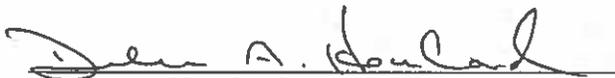
FURTHER ORDERED, that Eversource shall file conforming tariff pages within 20 days of the date of this Order pursuant to Puc Part 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of June, 2017.


Martin P. Honigberg
Chairman


Kathryn M. Bailey
Commissioner

Attested by:


Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

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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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
EXEC 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.**