



Public Service of New Hampshire d/b/a Eversource Energy
Docket No. DE 17-096

Date Request Received: 12/06/2017

Date of Response: 12/11/2017

Request No. RR 1-011

Page 1 of 3

Request from: New Hampshire Public Utilities Commission Staff

Witness: Eric H. Chung

Request:

Mr. Chung's Exhibit EHC-1, at line 12, includes an amount to be securitized for "Stranded Administrative and General Expenses. Where are recovery of such costs referenced in the 2015 Settlement?

Response:

RSA 369-B:3, IV,(c) provides the statutory basis for securitization of certain costs:

(c) Authorize the issuance of rate reduction bonds in an amount sufficient to fund stranded costs, deferrals, transaction costs, tax liabilities, employee protections, payments in lieu of taxes, and other expenditures as contemplated in the 2015 settlement proposal, if approved by the commission, or if the commission orders divestiture of all or some of PSNH's generation assets. The net benefits of accumulated deferred income taxes relating to amounts that will be recovered through any such issuance of rate reduction bonds shall be credited to retail customers by reducing the amount of such rate reduction bonds that would otherwise be issued by the net present value of the related tax cash flows, using a discount rate equal to the expected interest rate on such rate reduction bonds. This authorization is in addition to any amount authorized in subparagraph (a) or (b).

The 2015 Settlement further defines "Stranded Costs" as follows:

189 **Stranded Costs: Prudently incurred costs,** liabilities, revenues, and investments **that PSNH**
190 **would reasonably expect to recover from customers, but which would likely not be recovered**
191 **as a result of restructuring of the electric industry unless a specific mechanism for such cost**
192 **recovery is provided,** as detailed within this Agreement. See RSA 374-F:2, IV; RSA 369-B:3-
193 a, l; RSA 125-O:18; 2002 N.H. Laws 130:1. As set forth herein, examples of Stranded Costs
194 include: PSNH's net book investment in generation assets to the extent such amount exceeds
195 the sale price of those assets upon divestiture; the net of ongoing expenses and revenue
196 requirements (including, inter alia, prudently incurred decommissioning, retirement,
197 environmental, and employee protection costs or liabilities, and penalties imposed based upon
198 capacity obligations) for any generating unit, entitlement or obligation that has not been sold
199 as part of the asset divestiture process (such as due to a Failed Auction); all over-market or
200 under-market costs related to the PPAs and IPPs; employee protection-related costs; and
201 property tax stabilization payments.

The Settlement states:

30 The key components of this Agreement include:

54 Financing of any stranded costs remaining after the divestiture sale and other cost

55 described herein using securitization bonds, taking advantage of low interest rates.

Thus, the Settlement provides that Stranded Costs include “costs, liabilities, revenues, and investments that PSNH would reasonably expect to recover from customers, but which would likely not be recovered as a result of restructuring of the electric industry unless a specific mechanism for such cost recovery is provided... .”

Today, PSNH’s generation segment is responsible for paying its allocated share of various administrative and general costs. These costs include its allocated share of services provided by Eversource Energy Service Company (such as HR, IT, Security, Legal, Insurance etc.). PSNH generation is also responsible for its allocated share of PSNH facilities, such as the office space used in PSNH’s Energy Park headquarters.

After divestiture, PSNH’s generation segment will no longer exist. However, it will take time to adjust the administrative, general, facilities, and other corporate services for which the generation segment has been responsible. As described by Mr. Chung during the hearing, even if the Company was hypothetically able to make necessary adjustments in allocating such costs amongst all remaining Eversource entities simultaneous with the sale of the generating assets, Eversource will not be able to recover from customers increases in allocations to other affiliated entities due to regulatory lag. Those costs, which would otherwise be recovered from customers, are in essence “trapped” between rate cases.

Both RSA 369-B:3 and the Settlement include as stranded costs such costs – costs “that PSNH would reasonably expect to recover from customers, but which would likely not be recovered as a result of restructuring of the electric industry unless a specific mechanism for such cost recovery is provided,”

Using PSNH’s Energy Park headquarters as an example: The costs of that facility are today allocated between generation, distribution and transmission. Once generation is sold and PSNH’s energy service is procured and priced via a competitive solicitation process, there will no longer be a ratemaking path to recovery of the costs of Energy Park historically borne by generation. Hence, the total costs of Energy Park will be divided between distribution and transmission. The increased cost of Energy Park allocated to transmission will be included in the FERC transmission cost in real time, as that rate is annually reconciling. But, the increased cost of Energy Park allocated to distribution may be trapped between rate cases - - unless that cost is deemed to be a “stranded cost” that can be included in that reconciling rate. If that cost is deemed a “stranded cost,” it is eligible for recovery via securitization under the Settlement. Not allowing recovery of that cost would violate one of the Settlement’s key components – “Financing of any stranded costs remaining after the divestiture sale.”

The OCA’s stated preference at hearing that shareholders “eat” these costs is inappropriate and inconsistent with the terms of the Settlement, to which OCA is a party.

The amounts listed on line 12 of Exhibit EHC-1 incorporate the annual costs of administrative and general expenses PSNH’s generation segment customers would have paid for as part of their energy service rates, but which will be “trapped” and unable to be recovered unless included as a stranded

cost. As Mr. Chung indicated during the hearing, in practice it can take several years to right-size the supporting resources of a multi-jurisdictional organization like Eversource. With that practicality in mind, the Company believes that the inclusion of a single year of the amount of stranded administrative and general expenses as part of securitization is a reasonable request that should be granted.