

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 1-015

Page 1 of 2

Request from: New Hampshire Public Utilities Commission Staff

Witness: Christopher J. Goulding

Request:

Please describe how the Commission will be able to review the appropriateness and prudence of all amounts that were summed to determine the principal amount of the securitization, and what authority the Commission has to protect customers in the event it deems any of those amounts inappropriate or imprudent.

Response:

The Commission has plenary ratemaking authority over the state's regulated utilities. As part of that authority, the Commission only allows utilities to recover costs that are appropriate and prudent.

Eversource assumes that after the Rate Reduction Bonds have been issued, the Commission would conduct an audit of the securitization process either as a standalone activity or as part of the periodic reconciliation of the Stranded Cost Recovery Charge. That audit would review the securitization process itself, as well as the various amounts included in the determination of the principal amount financed. All of those costs must be appropriate and prudent. See, *Re PSNH Proposed Restructuring Settlement*, Docket No. DE 99-099, Order No. 23,549 (Sept. 8, 2000) ("Most parties seem to agree that PSNH ought to have discretion on the amount that should be securitized, subject to a later prudence review by the Commission." 85 NHPUC 536, 556; "After considering all of the arguments on this issue, we have decided that it would be best to give PSNH considerable latitude within the bounds of the law, subject to a later prudence review to determine whether the amount PSNH chose was reasonable at the time that it was required to make its decision. This means, as specifically provided for in RSA 369-B:3, IV (b), that it will be authorized to issue an aggregate principal amount of not more than \$670,000,000, minus \$6,000,000 for each month from October 1, 2000 to Competition Day (C-Day). In doing so, we expect the Company to manage its affairs in the most reasonable and prudent manner, in the traditional sense of those words, and subject to a traditional prudence standard." *Id.*).

An appropriate cost is one that is contemplated and allowed by law, order, or the Settlement. Appropriate costs to be included in the principal amount of the securitization include "stranded costs" as defined in the Settlement as well as RRB transaction costs.

Even if appropriate, a cost might not be prudent if such cost is excessive. For example, suppose that included as a cost is the legal fee for PSNH's Vermont counsel related to the sale of Canaan Hydro. As approval was required from the Vermont Public Utility Commission, and Vermont real property and tax matters had to be handled, the fee from the Vermont lawyer would be an appropriate transaction cost to be included as part of the securitization principal. But, if the bill from the Vermont lawyer was, say, \$10 million – that would be excessive and imprudent.

For sake of illustration, let's assume that there was this \$10 million Vermont legal bill, but that the reasonable cost of the work is deemed to be only \$100,000. This would result in \$9.9 million of imprudent costs that were included in the securitization principal. As part of the Commission's audit process, and following an adjudicative process to allow PSNH to respond to any findings, this \$9.9 million could be returned to customers by including it as a credit in Part 2 of the Stranded Cost Recovery Charge (the non-securitized portion of the SCRC).

Via this process, the Commission can ensure that customers only pay for appropriate and prudent costs. By making any necessary adjustments via Part 2 of the SCRC, the sanctity of the outstanding RRBs are protected.