

THE STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING
2018 STRANDED COST RECOVERY CHARGE RATE UPDATE
PRELIMINARY RATES EFFECTIVE AUGUST 1, 2018
Docket No. DE 18-023

1 **Q. Please state your name, business address and position.**

2 A. My name is Christopher J. Goulding. My business address is 780 North Commercial
3 Street, Manchester, NH. I am employed by Eversource Energy Service Company as the
4 Manager of New Hampshire Revenue Requirements and in that position I provide service
5 to Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource”
6 or the “Company”).

7 **Q. Have you previously testified before the Commission?**

8 A. Yes, I have.

9 **Q. What are your current responsibilities?**

10 A. I am currently responsible for the coordination and implementation of revenue
11 requirements calculations for Eversource, as well as the filings associated with
12 Eversource’s Energy Service (“ES”) rate, Stranded Cost Recovery Charge (“SCRC”),
13 Transmission Cost Adjustment Mechanism (“TCAM”), and Distribution Rates.

14 **Q. What is the purpose of your testimony?**

15 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
16 the necessary approvals to set the average SCRC rates, including the RGGI adder, that
17 will take effect August 1, 2018.

1 **Q. Has the SCRC rate been calculated consistent with the April 1, 2018 SCRC rates**
2 **that were approved by Order No. 26,116?**

3 A. Yes, the August 1, 2018 SCRC rates have been prepared consistent with the last approved
4 SCRC rates.

5 **Q. Please describe the components of the SCRC and their application to this rate**
6 **request.**

7 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F
8 and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549, defined
9 PSNH's stranded costs and categorized them into three different parts (i.e., Part 1, 2 and
10 3). Part 1 costs were composed of the RRB Charge, which was calculated to recover the
11 principal, net interest, and fees related to the original Rate Reduction Bonds ("RRBs").
12 These original RRBs were fully recovered as of May 1, 2013. As part of Eversource's
13 divestiture of its generating facilities under the settlement in Docket No. DE 14-238, new
14 RRBs were issued in May 2018 and are included as Part 1 costs in the SCRC rate. Part 2
15 costs are "ongoing" stranded costs consisting primarily of the over-market value of
16 energy purchased from independent power producers ("IPPs") and the amortization of
17 payments previously made for IPP buy-downs and buy-outs as approved by the
18 Commission. Also as part of the divestiture of Eversource's generating facilities, Part 2
19 incorporates various new costs, including: the costs of retained power entitlements, and
20 any unsecuritized prudently incurred decommissioning (if any), environmental, or other
21 residual costs or liabilities related to the generating facilities. Part 3 costs, which were

1 primarily the amortization of non-securitized stranded costs, were fully recovered as of
2 June 2006.

3 Additionally, the SCRC rate billed to customers includes the Regional Greenhouse Gas
4 Initiative (“RGGI”) refund as required by RSA 125-O:23, II and Order No. 25,664 (May
5 9, 2014), directing Eversource to rebate RGGI auction revenue it receives through the
6 SCRC rate.

7 **Q. Is Eversource currently proposing a specific SCRC rate and RGGI adder at this**
8 **time?**

9 A. No, it is not. Attachment CJG-1 provides rate class specific preliminary rate calculations
10 for the SCRC proposed for August 1, 2018; however, prior to the anticipated hearing in
11 July 2018, Eversource plans to update the SCRC rate calculations for changes attributable
12 to various factors primarily related to the forecasted over/(under)-market cost associated
13 with the ongoing IPPs; Burgess PPA and Lempster over/under-market costs; and any
14 additional 2018 actual data available at that time. The preliminary August 1, 2018
15 average SCRC rates (excluding the RGGI rebate amount) provided in this filing are:
16 2.111 cents per kWh for Rate R customers compared to the current rate of 1.967 cents per
17 kWh; 1.933 cents per kWh for Rate G customers compared to the current rate of 1.839
18 cents/kWh; 1.595 cents per kWh for Rate GV customers compared to the current rate of
19 1.516 cents/kWh; 0.595 cents/kWh for Rate LG customers compared to the current rate
20 of 0.570 cents/kWh; and 2.221 cents/kWh for Rate OL/EOL customers compared to the
21 current rate of 2.033 cents/kWh. Attachment CJG-2 provides the preliminary August 1

1 RGGI adder rate calculation that results in the RGGI adder increasing from the current
2 rate of negative 0.105 cents/kWh to negative 0.079 cents/kWh for all customer classes.

3 **Q. Historically, there was a single average SCRC rate that was applied to all**
4 **customers. Why are there now class specific average SCRC rates?**

5 A. As part of the Settlement Agreement approved in Docket No. DE 14-238 at Line 252 of
6 Section III.A, the SCRC revenue requirement is to be allocated to each rate class as
7 follows: 5.75% to Rate LG, 20.00% to Rate GV, 25.00% to Rate G, 48.75% to Rate R,
8 and 0.50% to Rate OL. Applying this differing allocation by rate class means that there
9 can no longer be a single average SCRC rate for all customers. Page 1 of Attachment
10 CJG-1 provides the rate class specific average SCRC rates including and excluding the
11 RGGI adder.

12 **Q. What are the major reasons for the change in the SCRC rate from the rates**
13 **currently in effect?**

14 A. The increase in the preliminary SCRC rates effective August 1, 2018 as compared to the
15 current rates is due to slightly higher forecasted RRB costs now that the securitization is
16 complete and the actual RRB charges have been calculated, and higher Part 2 costs offset
17 by higher revenues than forecast for the April 1, 2018 rates. The table below provides
18 additional detail identifying the variance from the underlying cost in the rates that were
19 approved for April 1, 2018 and this August 1, 2018 preliminary rate filing.

Description	Approved April 1 Rates	Preliminary August 1 Rates	Inc/(Dec)
Revenues	(108,751)	(109,176)	(425)
Part 1 Costs	54,170	55,074	904
Part 2 Costs:			
Amortization and return on IPP Buydown/Buyout Savings	588	563	(25)
Above Market Cost of IPP's	9,893	8,233	
Above Market Cost of Burgess	19,887	21,682	
Above Market Cost of Lempster	616	688	
Total Above Market IPP & PPA Costs	30,396	30,603	207
March 31, 2018 Non Scrubber Under Recovery	23,523	25,712	
Amortization of Scrubber Deferral (7 Years)	-	1,468	
Return on Stranded Thermal Assets	-	2,208	
Total Non Scrubber Under Recovery	23,523	29,388	5,865
Loss on 2017 REC Inventory	-	2,499	2,499
Miscellaneous ISO Resettlement	-	180	180
Excess Deferred Income Tax Return	-	(5,312)	(5,312)
Total Part 2 Return	246	381	135
Total Part 2 SCRC Costs	54,753	58,302	3,549
Total Part 1 and Part 2 Costs	108,923	113,376	4,453
Revenues			(425)
Total Increase in Costs			4,028

1 **Q. Please describe the detailed support for the calculation of the average SCRC rate**
2 **provided in Attachments CJG-1.**

3 A. Attachment CJG-1, page 1 provides the calculation of the average SCRC rates for the 5
4 rate classes incorporating the cost allocation for each rate class defined in the settlement
5 agreement approved in Docket No. DE 14-238. Page 2, provides a summary of 2018 cost
6 information related to the Part 1 and Part 2 costs. Page 3 provides the actual rate class

1 specific RRB charges that were calculated when the RRBs were issued. Page 4 has been
2 provided to reconcile the amount of funds that are collected through the RRB charge by
3 its inclusion in the SCRC with the amount of funds that are in the Collection and Excess
4 Funds trust accounts. It is important to note that customers are not directly paying the
5 principal, interest and fees associated with the RRBs in the SCRC rate calculation.
6 Customers are paying a RRB charge that results in remittances to the RRB trust that are
7 used to satisfy the principal, interest and fees of the RRBs. The RRB charge is calculated
8 to satisfy the principal, interest and fees of the RRBs. Page 5 provides detailed cost
9 information by month related to the Part 2, ongoing costs.

10 **Q. Please provide the supporting documentation for the calculation of the rate class**
11 **specific RRB charges that appear on Page 3.**

12 A. Please refer to page 4 of Attachment CJG-4 for a copy of the calculation of the RRB
13 charges that were submitted in Docket No. DE 17-096 on May 4th. The initial RRB
14 charges are designed to cover the May 2018 to January 2019 time period. The next
15 scheduled periodic update of the RRB charges is set to occur with the change in the
16 SCRC rate on February 1, 2019.

17 **Q. Please explain the additional costs on page 5 that are referenced in the response**
18 **above.**

19 A. The additional costs included in this preliminary SCRC filing on page 5 are:

- 20 1. (Lines 3 through 6): All costs and market revenues associated with the existing
21 IPPs. Prior to divestiture, any benefit of below market energy or capacity

1 associated with the IPPs was included in the Energy Service rate, while the above
2 market portion was included in the SCRC. Consistent with the settlement in
3 Docket No. DE 14-238, all IPP costs and revenues, whether above or below
4 market, are included in the SCRC.

5 2. (Lines 7 through 10) Burgess PPA: Effective April 1, 2018, the costs and market
6 revenues associated with the Burgess PPA are included in the SCRC. The
7 Burgess PPA costs and revenues were previously included in the Energy Service
8 rate. Attachment CJG-5 (page 1) has been provided to support the underlying
9 forecast assumptions related to the costs and revenues associated with the Burgess
10 PPA.

11 3. (Lines 11 through 14) Lempster PPA: Effective April 1, 2018, the costs and
12 market revenues associated with the Lempster PPA are included in the SCRC.
13 The Lempster PPA costs and revenues were previously included in the Energy
14 Service rate. Attachment CJG-5 (page 2) has been provided to support the
15 underlying forecast assumptions related to the costs and revenues associated with
16 the Lempster PPA.

17 4. (Line 15) March 31, 2018 non-scrubber energy service under recovery:
18 Consistent with the settlement in Docket No. DE 17-113, these costs have been
19 included in the SCRC calculation. This refund amounts associated with the Town
20 of Bow property tax refund for 2012 and 2013 are reflected in this under recovery
21 amount. Please refer to Attachment CJG-6 for supporting information that was
22 submitted as part of the Quarterly ES/SCRC filing in Docket No. DE 17-151 for
23 the cost and revenues that result in the March 31, 2018 under-recovery position.

1 The table below provides the reconciliation of the amount that appears on page 10
2 of Attachment CJG-6 and the amount that appears on Line 15.

Attachment CJG-6 (Page 10, Line 9) Under Recovery	\$ 128,065
Incorporation of Lead/Lag Results (Please see DE 18-073)	\$ 749
Removal of CSL Settlement (Under Review in DE 17-075)	(3,421)
March 31, 2018 Scrubber Under Recovery	(99,681)
Total Adjustments	(102,353)
Adjusted March 31, 2018 Non Scrubber Under Recovery	\$ 25,712

- 3
- 4 5. (Line 16) ISO-NE Other: The cost included in this line are miscellaneous ISO
5 resettlement costs along with credits that were historically included in the Energy
6 Service rate.
- 7 6. (Line 17) Loss on REC Sales: The loss on the REC sales results from 2017 REC
8 inventory that was not securitized. Due to timing of the securitization and the
9 delivery of the RECs, the amount was not available at the time the securitization
10 amount was calculated. The REC sales occurred in April 2018.
- 11 7. (Line 18) Returned on Stranded Thermal Assets: The return on the stranded
12 thermal assets is the carrying charge on the stranded thermal assets at the
13 stipulated rate of return prior to securitization. In the April 1, 2018 rates, this item
14 was included as part of the forecasted non-scrubber energy service under
15 recovery.
- 16 8. (Line 19) Amortization of the Scrubber Deferral: Consistent with the terms of the
17 settlement approved in Docket No. DE 14-238, this is the continuation of the
18 amortization over a seven-year period of the scrubber deferral until securitization.

1 In the April 1, 2018 rates, this item was included as part of the forecasted non-
2 scrubber energy service under recovery.

3 9. (Line 20) Excess Deferred Income Taxes (“EDIT”): At the end of 2017, the
4 Federal and State tax rates changed which resulted in EDIT that it is necessary to
5 refund to customers. Attachment CJG-7, provides the estimated annual return of
6 EDIT that will be refunded as a credit to Part 2 costs of the SCRC rates.

7 10. (Line 21) PILOT Payments: The PILOT payments line has been added to capture
8 any property tax stabilization payments that will be made as a result of divestiture.
9 These payments are defined in Section IV.H of the settlement agreement in
10 Docket No. DE 14-238. The amounts of the PILOT payments are not known at
11 this time. As payments become known and payments are made, they will be
12 included for recovery in future filings.

13 The items identified on lines 16 through 20 of Page 5 of Attachment CJG-1 were items
14 that had previously been noted only as “other.” As discussed at the March 20, 2018
15 hearing setting the SCRC rates for April 1, as these costs are known, they will be broken
16 out and identified individually.

17 **Q. Referring to the response above specifically about Line 15, has Eversouce included**
18 **the cost of the shipping contract Settlement and Release described in the Testimony**
19 **of Fredrick White in Docket No. DE 17-075 in the forecasted March 31, 2018 non-**
20 **scrubber Energy Service under recovery?**

21 A. No. The \$3.4M payment associated with the settlement paid in December 2016 has been
22 excluded from the forecasted under recovery pending review and approval in Docket No.

1 DE 17-075. Once that is approved, the Company will include that payment in rates in a
2 manner approved by the Commission.

3 **Q. How have the proceeds from the RECs associated with the Northern Wood Power**
4 **Project been included in the forecasted March 31, 2018 non-scrubber Energy**
5 **Service under recovery?**

6 A. Consistent with past practice, an estimate of the proceeds associated with the RECs
7 produced from the Northern Wood Power Project have been included in rates based on
8 actual REC production and forecasted REC prices. After all of the RECs are sold, an
9 adjustment will be included in the Part 2 costs to reconcile the \$5.886 million of proceeds
10 already credited to customers, and included in the forecasted March 31, 2018 under
11 recovery, to the actual sales proceeds.

12 **Q. Please describe the detailed support for the calculation of the RGGI rate provided**
13 **in Attachment CJG-2 and Attachment CJG-3.**

14 A. In Order No. 25,664 in Docket No. DE 14-048, and pursuant to RSA 125-O:23, II, the
15 Commission ordered that certain proceeds from the quarterly RGGI auctions be rebated
16 to Eversource's customers through the SCRC. Attachment CJG-2, page 2, and
17 Attachment CJG-3, page 1 provide a summary of 2018 and 2017 information related to
18 RGGI auctions and the amounts allocated to Eversource for refund.

19 **Q. Is Eversource currently proposing a specific RGGI rate at this time?**

20 A. No it is not. Attachment CJG-2, page 1 provides a preliminary rate calculation; however,
21 prior to the anticipated hearing in July 2018, Eversource plans to update the RGGI rate

1 calculation for additional 2018 data. The preliminary 2018 RGGI rate provided in this
2 filing is negative 0.079¢/kWh and is 0.026¢/kWh higher than the current 2018 RGGI rate
3 of negative 0.105¢/kWh.

4 **Q. Does Eversource require Commission approval of the SCRC rate billed to**
5 **customers by a specific date?**

6 A. Yes, Eversource would need final approval of the SCRC rate by July 25, 2018, to
7 implement the new rates for service rendered on and after August 1, 2018.

8 **Q. Does this conclude your testimony?**

9 A. Yes, it does.