

THE STATE OF NEW HAMPSHIRE

Before the

PUBLIC UTILITIES COMMISSION

Petition for Continuation of Reliability Enhancement Program

DE 17-196

**PROPOSAL TO EXTEND
RELIABILITY ENHANCEMENT PROGRAM**

Pursuant to Puc 203.06, Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource” or the “Company”) hereby requests that the New Hampshire Public Utilities Commission (“Commission”) approve a temporary extension of the Company’s Reliability Enhancement Program (“REP”) as described in this submission pending the setting of new rates following the Company’s filing of a comprehensive rate review in 2019. In this proposal, Eversource is also requesting approval for other offsetting changes to its rates effective January 1, 2019. Specifically, Eversource’s proposal in this filing is for:

1. REP vegetation management in 2019 consisting of enhanced tree trimming, hazard tree removal, and full-width right-of-way clearing totaling \$16.8 million for the 2019, all treated as expense items;
2. Continuation of the present level of funding for the Troubleshooter program at \$2 million for 2019;
3. Continuation of the funding to support the REP capital investments made through December 31, 2018;
4. Distribution rate adjustments to account for changes in the Commission’s assessment, recovery of consultant costs, and removal of a Medicare tax deferral credit; and,
5. A commitment to file a comprehensive rate review application in 2019 using the 2018 calendar year as its test year.

Funding for the above would be achieved through a cost deferral and future offset against savings attributable to the changes in tax laws so that these important programs can continue for the benefit of customers without the need to adjust current rates. In other words, customers will see the benefits of the tax change beginning on January 1, 2019 through the avoidance of an increase to Eversource's distribution rates to account for the REP activities. These REP changes would remain in effect until the effective date of rates once Eversource files for a comprehensive rate review in 2019. Based upon discussions with the Commission's Staff and the Office of Consumer Advocate ("OCA"), Eversource understands that the Staff and OCA support the proposal described herein as a bridge to the rate review to be filed in 2019. In support of this submission, Eversource says the following:

I. BACKGROUND

1. Eversource's REP was initially established as part of Docket No. DE 06-028, the Company's 2006 rate case, to provide targeted funding for enhanced capital and operation and maintenance ("O&M") spending intended to improve the reliability of Eversource's distribution system. The REP was updated and expanded through a settlement agreement in Docket No. DE 09-035, the Company's 2009 rate case. The targeted funding provided through the REP was scheduled to end on June 30, 2015, coincident with the expiration of Eversource's settlement agreement in Docket No. DE 09-035.

2. On June 10, 2015, and following extensive negotiations, Eversource and numerous other parties filed the "2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement" (the "2015 Agreement"), a comprehensive settlement relating to a variety of issues concerning Eversource's divestiture of its existing electric generating fleet. The 2015 Agreement contained as one of its terms a provision for the continuation of the REP. By

Order No. 25,793 (June 25, 2015), the Commission permitted the Company to continue the REP through the middle of 2017 (subject to certain filings) based upon its conclusions that “Eversource’s reliability metrics have improved since the inception of the program, and customers have experienced tangible benefits in reduced frequency and duration of outages.” *Public Service Company of New Hampshire d/b/a Eversource Energy*, Order No. 25,793 (June 25, 2015) at 5.

4. On May 1, 2017, in Docket No. DE 17-076, Eversource filed a request to continue the REP for an additional 24 months. That initial proposal was significantly revised in a filing on June 2, 2017 following discussions with the Staff and OCA. In Order No. 26,034 (June 28, 2017), the Commission approved a continuation of the REP for the remainder of calendar year 2017. In that Order, the Commission also directed Eversource to work with the Staff and OCA on a proposal to continue the REP in calendar year 2018.

5. Following those discussions, on December 15, 2017 the Company filed a request in the instant docket to continue the REP at a more modest level for calendar year 2018. On March 12, 2018, the Commission issued Order No. 26,112 in this docket approving the proposal for 2018. In that Order, the Commission approved \$3 million in spending on two circuit tie projects, and \$6 million for capitalized vegetation management, along with \$350,000 in O&M costs associated with those capital expenses. Also, as part of that Order the Commission approved the continuation of the Troubleshooter program with \$2 million in funding through the REP to cover a portion of expenses associated with that program. Additionally, the Commission approved the Company shifting its vegetation management activities from a capital item to an O&M expense beginning in 2019, as well as the Company removing the Troubleshooter program from REP at the end of 2018. Lastly, in Order No. 26,112, the Commission stated: “We also direct

Eversource to meet with Staff and the OCA before they file for any extension of this program, and to continue to incorporate the recommendations of Staff and the OCA into future plans and budgets.” Order No. 26,112 at 5. In line with this order, and based upon a meeting and discussions held with the Staff and the OCA on November 7 and 9, 2018, the Company now makes the below proposal, which the Company understands is supported by the Staff and the OCA.

II. PROPOSED 2019 REP

6. For 2019, Eversource proposes an REP consisting entirely of O&M activities in two specific classes – vegetation management and the Troubleshooter program – along with continued funding to support the approved REP capital investments made through December 31, 2018. With respect to vegetation management, consistent with Order No. 26,112, the treatment of vegetation management activities in 2019 will be as an O&M expense and not a capital expenditure. In calendar year 2019, the Company’s REP will be made up of three classes of vegetation management activities: 1) enhanced tree trimming (“ETT”); 2) hazard tree removal; and 3) full-width right-of-way clearing. In contrast to standard trimming, ETT expands the zones of tree pruning activity to create additional clearances between tree growth and electrical facilities. Hazard tree removal involves the identification, and complete removal, of trees determined to be in ill-health, or which otherwise pose a threat to electrical facilities or public safety, both within and outside standard trimming zones. Full-width right-of-way clearing involves the reclamation of existing rights-of-way by the enhanced clearing of trees and brush to extend the clearances between vegetation and the Company’s electrical facilities located in rights-of-way. Eversource has demonstrated that these trimming activities decrease the likelihood of tree-related electrical interruptions for the benefit of its New Hampshire customers.

The explanation of the specific vegetation management activities is included in the technical statement that is filed contemporaneous with this request. The annualized costs of the vegetation management activities proposed for 2019 are as follows:

- ETT - \$5 million
- Hazard Tree Removal - \$10 million
- Full-Width ROW Clearing – \$1.8 million

Eversource states that the above amounts represent reasonable and appropriate levels of expense for those activities in 2019. Furthermore, this level of expenditure is reasonable in light of past levels of vegetation management expenditures, though these costs will now be treated as an expense item rather than a capital item.

7. With respect to the Troubleshooter program, the nature of the work and activities of this special class of Eversource personnel is described in the December 15, 2017 testimony of Lee Lajoie and Brian Dickie in this docket. For purposes of this submission, Eversource proposes that the funding level presently allowed in rates, \$2 million annually, be continued in 2019. Maintaining that funding level will allow the Troubleshooters to continue the same type and amount of reliability-related activities as they have conducted to date under the REP. Given its success to date, continuation of the program with a portion of the funding from REP until the time of Eversource's next rate filing is reasonable and appropriate.

8. The 2019 annual revenue requirement to continue the program is \$33,933,068, including the support for the previously approved REP capital investments through December 31, 2018. The current REP funding of \$18,063,000 and a forecasted December 31, 2018 over-recovery of \$957,837 results in an incremental annual revenue deficiency for 2019 of \$14,912,232. Rather than adjust distribution rates to account for this deficiency, Eversource proposes that the costs be deferred and addressed in a future filing as described below. Making

no rate adjustment at this time allows these important programs to continue for the benefit of Eversource's customers while avoiding rate impacts to those customers.

9. Beginning with the start of the proposed REP on January 1, 2019, Eversource will defer the unfunded costs (including carrying charges at the stipulated rate of return consistent with the carrying charge being earned on the customer tax deferral) of the REP activities until the sooner of: a) the effective date of an exogenous events submission relating to the changes attributable to the 2018 tax law changes and any other applicable exogenous changes; or b) the effective date of new rates in a comprehensive rate review filing. Each filing is explained below.

10. In Order No. 26,177 (September 27, 2018) in Docket No. DE 18-049, the Commission concluded that "The 2015 Agreement is a unique document that constitutes a multi-party settlement of all issues related to the divestiture of Eversource's generation assets and its provisions are binding and interdependent in the execution of the agreement." Order No. 26,177 at 9. Accordingly, the Commission stated that: "unless Eversource files a rate case for rates effective July 1, 2019, or before, that includes a calculation of the tax reductions, and a downward rate adjustment of some type reflecting over-collections, EDIT, interest, and a reduced revenue requirement, we will direct Eversource to include the same in its Exogenous Event certification to be filed no later than March 31, 2019, for rates effective July 1, 2019." *Id.* at 10. Consistent with that finding, and absent the intervening filing of a rate review, Eversource will make a filing on or by March 31, 2019 describing the exogenous events in 2018 and, subject to review, would implement a rate adjustment on July 1, 2019 to account for that change. At the time of the change on July 1, 2019, an adjustment will also be made to Eversource's rates to account for its REP activities through June 30, 2019. The result is that the change on July 1, 2019 will reflect the net difference between the tax adjustment deferral and the REP deferral. As

stated previously, linking these adjustments in this manner will mean that customers will see the benefits of the tax change beginning on January 1, 2019 through the avoidance of an increase to Eversource's distribution rates to account for the REP activities.

11. As noted above, as part of this submission Eversource commits to filing for a comprehensive rate review in 2019 using calendar year 2018 as its test year. If Eversource files its application for a rate review for rates effective on or prior to July 1, 2019, then the costs deferred for the REP in 2019, as well as the credits attributable to the 2018 tax change, shall be accounted for as part of that filing rather than the exogenous events filing described in the prior paragraph, along with any other pertinent adjustments. It is currently contemplated that as part of the comprehensive rate filing, the REP will end as a separate program and Eversource will make a proposal for addressing the activities previously completed under the REP as part of its base rates, or via some other method.

III. OTHER JANUARY 1, 2019 DISTRIBUTION RATE ADJUSTMENTS

12. As part of this submission, Eversource also requests that the Commission approve adjustments to three additional items which, collectively, result in no rate change for customers. Following the Commission's issuance of Order No. 26,091 in Docket No. DE 17-160, Eversource's distribution rates include an increase of \$911,624 to account for increases in the Commission's assessment to Eversource, and \$430,459 to account for the costs of various consultants hired by the Staff and the OCA. As described in the attached technical statement, the costs attributable to both items is lower in 2019. With respect to the Commission's assessment, the amount drops by \$294,090 for 2019 and the consultant costs drop by \$379,170 to \$51,399. Additionally, in Docket No. DE 17-076, the Commission approved a REP rate that included a credit of \$689,960 to account for deferred Medicare related costs. Now that the credit has been

amortized and refunded to customers, it is to be removed from rates. The net of the above changes is a difference of approximately \$16,700. Given these offsetting adjustments, no change in rates is necessary to account for these adjustments, and Eversource requests that the Commission confirm the adjustments and concur that no rate change is necessary.

IV. CONCLUSION

13. Eversource appreciates that the Staff, the OCA, and the Commission itself, have acknowledged the importance of the REP over time and the benefits that it has brought to customers. Recognizing, however, that the REP was not intended to last indefinitely, Eversource intends to make necessary changes to the REP going forward, such as moving activities out of this special program and into its base programming (subject to the review and approval of the Commission), and makes the present request to provide a bridge to those more lasting changes following a rate review to be filed in 2019. In so doing, Eversource believes that structuring the program as proposed herein provides customers with the benefits of the REP activities, as well as the benefits of the tax changes and rate stability, while at the same time acknowledging the unique requirements of the 2015 Agreement. Accordingly, Eversource requests that the Commission approve the continuation of the REP as requested.


WHEREFORE, Eversource respectfully requests that the Commission:

- A. Grant Eversource's request to continue the REP in calendar year 2019 as proposed above; and
- B. Grant such further relief as is just and equitable.

Respectfully submitted,

Public Service Company of New Hampshire d/b/a Eversource Energy
By Its Attorney

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By: 

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