

THE STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ERICA L. MENARD AND DAVID F. BIDMEAD
STRANDED COST RECOVERY CHARGE RATE
PRELIMINARY UPDATED RATES EFFECTIVE AUGUST 1, 2019

Docket No. DE 19-108

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

2 A. My name is Erica L. Menard. My business address is 780 North Commercial Street,
3 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
5 service to Public Service Company of New Hampshire d/b/a Eversource Energy
6 (“Eversource” or the “Company”).

7 My name is David F. Bidmead. My business address is 107 Selden Street, Berlin,
8 Connecticut. I am employed by Eversource Energy as a Senior Revenue Requirements
9 Analyst -- New Hampshire and in that position, I provide service to Eversource.

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

11 A. Yes, we both have.

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

13 A. (ELM) I am currently responsible for the coordination and implementation of revenue
14 requirements calculations for Eversource, as well as the filings associated with

1 Eversource's Energy Service ("ES") rate, Stranded Cost Recovery Charge ("SCRC"),
2 Transmission Cost Adjustment Mechanism ("TCAM"), and Distribution Rates.

3 (DFB) I currently prepare and/or review the calculation of New Hampshire revenue
4 requirements for Eversource, as well as the filings associated with Eversource's ES,
5 SCRC, and TCAM rates.

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

7 A. On June 6, 2019, Eversource submitted a petition to adjust SCRC rates effective August
8 1, 2019 and pre-filed testimony supporting the preliminary rate calculations with the
9 intention of filing updated rate calculations prior to the hearing scheduled on July 19,
10 2019. The purpose of this testimony is to: (1) provide an update to the June 6, 2019
11 filing; and (2) to seek the necessary approvals to set the updated average SCRC rates,
12 including the RGGI adder, that will take effect August 1, 2019. Historically, Eversource
13 had provided updates to the SCRC by means of a technical statement with a comparison
14 to the preliminary filing. With the intent of reducing the potential for confusion,
15 Eversource is providing this update through testimony noting the changes from the
16 currently existing rates, rather than changes from the preliminary filing.

17 **Q. Has the SCRC rate been calculated consistent with the February 1, 2019 SCRC**
18 **rates that were approved by Order No. 26,215 in Docket No. DE 18-182?**

19 A. Yes, the updated August 1, 2019 SCRC rates have been prepared consistent with the last
20 approved SCRC rates.

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

3 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F
4 and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549, defined
5 PSNH's stranded costs and categorized them into three different parts (i.e., Part 1, 2 and
6 3). Part 1 costs were composed of the RRB Charge, which was calculated to recover the
7 principal, net interest, and fees related to the original Rate Reduction Bonds ("RRBs").
8 These original RRBs were fully recovered as of May 1, 2013. As part of Eversource's
9 divestiture of its generating facilities under the settlement in Docket No. DE 14-238, new
10 RRBs were issued in May 2018 and are included as Part 1 costs in the SCRC rate. Part 2
11 costs are "ongoing" stranded costs consisting primarily of the over-market value of
12 energy purchased from independent power producers ("IPPs") and the amortization of
13 payments previously made for IPP buy-downs and buy-outs as approved by the
14 Commission. Also, as part of the divestiture of Eversource's generating facilities, Part 2
15 incorporates various new costs, including: the costs of retained power entitlements,
16 unsecuritized prudently incurred decommissioning (if any), environmental, or other
17 residual costs or liabilities related to the generating facilities. Part 3 costs, which were
18 primarily the amortization of non-securitized stranded costs, were fully recovered as of
19 June 2006.

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

5 **Q. What is Eversource requesting in this filing?**

6 A. Eversource is requesting approval of the updated August 1, 2019 average SCRC rates
7 (excluding the RGGI rebate amount) provided in this filing: ~~1.887~~ 1.882 cents/kWh for
8 Rate R customers compared to the current rate of 1.522 cents/kWh; ~~1.669~~ 1.674
9 cents/kWh for Rate G customers compared to the current rate of 1.415 cents/kWh; ~~1.428~~
10 1.433 cents/kWh for Rate GV customers compared to the current rate of 1.198
11 cents/kWh; ~~0.478~~ 0.480 cents/kWh for Rate LG customers compared to the current rate
12 of 0.420 cents/kWh; and ~~1.682~~ 1.685 cents/kWh for Rate OL/EOL customers compared
13 to the current rate of 1.720 cents/kWh. Attachment ELM/DFB-3 and Attachment
14 ELM/DFB-4 provide the updated August 1, 2019 RGGI adder rate calculation that results
15 in the RGGI adder changing from the current rate of negative 0.134 cents/kWh to
16 negative 0.130 cents/kWh for all customer classes.

17 **Q. How do the updated rates compare to those filed on June 6, 2019 and the current**
18 **rates?**

19 A. The table below provides a comparison of current rates, preliminary rates and updated
20 rates by rate class.

Rate Class	Current Rate (cents/kWh)	Preliminary Rate (cents/kWh)	Updated Rate (cents/kWh)
R	1.522	1.849	1.887 1.882
G	1.415	1.637	1.669 1.674
GV	1.198	1.400	1.428 1.433
LG	0.420	0.469	0.478 0.480
OL/EOL	1.720	1.718	1.682 1.685

1

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

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

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

13 A. The increase in the preliminary SCRC rates proposed for effect on August 1, 2019 as
14 compared to the current rates is due to higher forecasted RRB costs, and higher Part 2

1 costs offset by higher and lower revenues than forecast for the February 1, 2019 rates.
2 The table below provides additional detail identifying the variance from the underlying
3 cost in the rates that were approved for February 1, 2019 and this August 1, 2019 updated
4 rate filing.

Description	(\$ 000s)		
	Approved February 1 Rates	Updated August 1 Rates	Inc/(Dec)
Revenues	(96,846)	(96,511)	335
Part 1 Costs	60,079	62,500	2,421
Part 2 Costs:			
Amortization and Return on IPP Buydowns/Buyouts	499	527	28
Above Market Non-Wood IPPs	2,988	2,260	(728)
Above Market Cost of Burgess	38,225	43,864	5,639
Above Market Cost of Lempster	1,026	1,677	651
Total Above Market IPA & PPA Costs	42,239	47,801	5,562
Energy Service REC Revenues Transfer	(3,313)	(4,353)	(1,040)
REC Sales Proceeds/RPS True-up	-	(412)	(412)
ISO-NE Other/Residual Hydro O&M	-	951	951
Seabrook Costs/Credits	-	(436)	(436)
EDIT	(5,480)	(4,933)	547
CSL Contract Settlement	-	3,421	3,421
Total Part 2 Return	(46)	219	265
Total Part 2 SCRC Costs	33,899	42,785	8,886
01/31/19 Under Recovery	2,868	1,519	(1,349)
Total Part 1 and 2 Costs plus 01/31/19 Under Recovery	96,846	106,804	9,958
Revenues			335
Total Increase in Costs			10,293

5

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

3 A. Attachment ELM/DFB-1, page 1 provides the calculation of the average SCRC rates for
4 the five rate classes incorporating the cost allocation for each rate class defined in the
5 settlement agreement approved in Docket No. DE 14-238. Page 2 provides a summary of
6 2019 cost information related to the Part 1 and Part 2 costs. Page 3 provides the
7 estimated rate class specific RRB charges that were calculated ~~when the RRBs were~~
8 ~~issued~~ using the RRB rates established for the February 1, 2019 SCRC rate filing in
9 ~~Docket No. DE 18-182~~. Page 4 has been provided to reconcile the amount of funds that
10 are collected through the RRB charge by its inclusion in the SCRC with the amount of
11 funds that are in the Collection and Excess Funds trust accounts. It is important to note
12 that customers are not directly paying the principal, interest and fees associated with the
13 RRBs in the SCRC rate calculation. Instead, customers are paying an RRB charge as part
14 of the overall SCRC rate that results in remittances to the RRB trust that are used to
15 satisfy the principal, interest and fees of the RRBs. The RRB charge is calculated to
16 satisfy the principal, interest and fees of the RRBs using the forecasted sales. Page 5
17 provides detailed cost information by month related to the Part 2 ongoing costs, and
18 summary information for the Burgess and Lempster contracts as well as cost and actual
19 revenues associated with the purchases of RECs from these contracts and the transfer of
20 REC revenues between the ES rate and the SCRC rate to account for the Class 1 RECs
21 necessary to satisfy the Class 1 REC requirement for ES. Page 6 has been added to

1 provide additional details related to the Burgess and Lempster contracts as well as the
2 cost associated with the RECs purchased under these contracts and the transfer of
3 revenues between the SCRC and the ES rates. Attachment ELM/DFB-2, pages 1 through
4 6 provide the detailed cost and revenue components relating to the - SCRC reconciliation
5 for the 13 months ended January 31, 2019.

6 **Q. How are the August 1, 2019 SCRC Part 1 Costs calculated?**

7 A. The Part 1 SCRC actual costs are shown in Attachment ELM/DFB-2, Page 3 and
8 forecasted costs are shown in Attachment ELM/DFB-1, Page 3. In the months that have
9 been estimated for this filing, the forecasted Part 1 SCRC costs are calculated using the
10 RRB rates established in the latest Routine True-up Letter dated January 7, 2019 in
11 Docket No. DE 17-096 multiplied by the forecasted sales for each rate class. Since there
12 is a one-month lag in the RRB remittance process, the forecasted sales are also reported
13 on a one-month lag on Attachment ELM/DFB-1, Page 3. These estimates represent a
14 reasonable estimate of the expected RRB charge remittances.

15 **Q. In Order No. 26,215 in Docket No. DE 18-182, Eversource was directed to work with**
16 **Staff on the development of a form RRB True-Up Letter that explains the**
17 **differences between the RRB True-Up and the calculation of the RRB rate (See**
18 **Order No. 26,215 Page 9). Has the Company done that?**

19 A. Yes. The Company exchanged information and provided a memo to Staff explaining how
20 RRB rates are calculated as shown in the January 7, 2019 RRB True-Up letter. That

1 information provided the source data and calculations that demonstrated the differences
2 in the forecasts used to develop the RRB rates and those used to develop the SCRC rates.
3 The RRB rate setting uses actual daily remittances received and forecasted monthly
4 remittances expected for the time periods associated with the RRB principal payments
5 whereas the SCRC rate uses a monthly billed sales forecast for the time period of the
6 SCRC rate. For the next RRB rate change, a reconciliation will be provided to show the
7 actual RRB remittances applied to the RRB payments as compared to the forecast used to
8 develop the RRB rates.

9 **Q. Did the Company review this memo with Staff for input?**

10 A. Yes. On July 1, 2019, the Company and Staff discussed the memo and agreed on
11 revisions to the next RRB True-Up Letter as required in Order No. 26,215. The
12 Company will continue to work with the Staff on this issue as may be necessary.

13 **Q. Will the RRB rates shown in the January 7, 2019 RRB True-Up letter be revised for**
14 **the August 1, 2019 SCRC rate filing?**

15 A. No. The RRB rates shown in the Routine True-up Letter dated January 7, 2019 and also
16 filed in Docket No. DE 17-096 will not be changing for the August 1, 2019 SCRC rate.
17 The Part 1 costs of the August 1, 2019 SCRC rates use the same RRB rates as in the
18 February 1, 2019 SCRC rate filing. A revised kWh sales forecast, consistent with the
19 kWh sales forecast used throughout the SCRC rate filing is applied to the RRB rates by
20 class to calculate the revenue required to apply to the to the Part 1 costs. Variances

1 between estimated and actual revenue received from Part 1 costs will be reconciled in the
2 August 1, 2020 SCRC filing.

3 **Q. Could you please provide additional details for the Part 2 on-going costs included on**
4 **page 5 of Attachment ELM/DFB-1?**

5 A. Yes. The costs included in this updated SCRC filing on page 5 are:

- 6 1. (Lines 3 through 6): Non-Wood IPPs: All costs and market revenues associated
7 with the existing IPPs. Prior to divestiture, any benefit of below market energy or
8 capacity associated with the IPPs was included in the Energy Service rate, while
9 the above market portion was included in the SCRC. Consistent with the
10 settlement in Docket No. DE 14-238, all IPP costs and revenues, whether above
11 or below market, are included in the SCRC.
- 12 2. (Line 7) Burgess PPA: Effective April 1, 2018, the costs and market revenues
13 associated with the Burgess PPA are included in the SCRC. Line 11 shows the
14 net cost of the Burgess PPA. Additionally, provided in Attachment ELM/DFB-1
15 (page 6) is support for the underlying forecast assumptions related to the costs and
16 revenues associated with the Burgess PPA by month.
- 17 3. (Line 8) Lempster PPA: Effective April 1, 2018, the costs and market revenues
18 associated with the Lempster PPA are included in the SCRC. Line 12 shows the
19 net cost of the Lempster PPA. Additionally, provided in Attachment ELM/DFB-1
20 (page 6) is support for the underlying forecast assumptions related to the costs and
21 revenues associated with the Lempster PPA by month.

1 4. (Line 9) Energy Service REC Revenues Transfer: This line has been included to
2 capture the transfer of the RECs necessary to satisfy the Class 1 REC obligation
3 for ES customers. This is consistent with the treatment of Class 1 RECs described
4 in Section II.H of the November 27, 2017 settlement in Docket No. DE 17-113
5 where it states: “As to Eversource's RPS obligation relevant to Class I, the
6 Settling Parties agree that it shall be managed in a manner consistent with that
7 described on page 14 of the initial Testimony of Shuckerow, White & Goulding”.
8 That testimony provides, with reference to the Burgess and Lempster contracts:

9 The REC amounts purchased from these sources may more than
10 meet energy service obligation quantities, eliminating the need for
11 Class I purchases. Since the 2015 Agreement calls for the costs of
12 those PPAs to be recovered via the SCRC, a transfer price for
13 RECs obtained under those PPAs used to satisfy RPS needs for ES
14 customers must be set. In order to properly account for these Class
15 1 REC purchases for both ES and SCRC purposes, Eversource
16 proposes to establish a transfer price equal to the Class I REC
17 prices established via the mechanism described previously.

18 5. (Line 10): REC Sales Proceeds: As Class 1 RECs in excess of those necessary to
19 satisfy the energy service Class 1 REC requirement are sold, the proceeds
20 associated with the sales will be included in actual data.

- 1 6. (Line 11) ISO-NE Other: The costs included in this line are miscellaneous ISO
2 resettlement costs along with credits that were historically included in the ES rate.
- 3 7. (Line 12) Seabrook Costs and Credits: Charges and credits related to Seabrook
4 Power contracts between Eversource and North Atlantic Energy Company
5 (NAEC).
- 6 8. (Line 13) Excess Deferred Income Taxes (“EDIT”): At the end of 2017, the
7 Federal and State tax rates changed which resulted in EDIT. That excess is to be
8 refunded to customers.
- 9 9. (Line 14) CSL Contract Settlement: In accordance with Order No. 26,238 in
10 Docket No. DE 17-075, Eversource is including the \$3.4 million attributable to
11 settlement of a shipping contract with CSL.

12 **Q. Could you please also provide additional details on the costs on Lines 3 through 16**
13 **on page 5 of Attachment ELM/DFB-2?**

14 A. The costs included on Lines 3 through 16 in this preliminary SCRC filing on page 5 of
15 ELM-2 are:

- 16 1. (Lines 3 through 6): Non-Wood IPPs: All costs and market revenues associated
17 with the existing IPPs. Prior to divestiture, any benefit of below market energy or
18 capacity associated with the IPPs was included in the ES rate, while the above
19 market portion was included in the SCRC. Consistent with the settlement in
20 Docket No. DE 14-238, all IPP costs and revenues, whether above or below
21 market, are included in the SCRC.

- 1 2. (Line 7) Burgess PPA: Effective April 1, 2018, the costs and market revenues
2 associated with the Burgess PPA are included in the SCRC. Line 11 shows the
3 net cost of the Burgess PPA. Additionally, provided in Attachment ELM-2 (page
4 6) is support for the underlying forecast assumptions related to the costs and
5 revenues associated with the Burgess PPA by month.
- 6 3. (Line 8) Lempster PPA: Effective April 1, 2018, the costs and market revenues
7 associated with the Lempster PPA are included in the SCRC. Line 12 shows the
8 net cost of the Lempster PPA. Additionally, provided in Attachment ELM/DFB-2
9 (page 6) is support for the underlying forecast assumptions related to the costs and
10 revenues associated with the Lempster PPA by month.
- 11 4. (Line 9) Energy Service REC Revenues Transfer: This line has been included to
12 capture the transfer of the RECs necessary to satisfy the Class 1 REC obligation
13 for ES customers. This is consistent with the treatment of Class 1 RECs described
14 in Section II.H of the settlement in Docket No. DE 17-113 where it says: “As to
15 Eversource's RPS obligation relevant to Class I, the Settling Parties agree that it
16 shall be managed in a manner consistent with that described on page 14 of the
17 initial Testimony of Shuckerow, White & Goulding”. That testimony provides,
18 with reference to the Burgess and Lempster contracts:

19 The REC amounts purchased from these sources may more than
20 meet energy service obligation quantities, eliminating the need for
21 Class I purchases. Since the 2015 Agreement calls for the costs of
22 those PPAs to be recovered via the SCRC, a transfer price for

1 RECs obtained under those PPAs used to satisfy RPS needs for ES
2 customers must be set. In order to properly account for these Class
3 1 REC purchases for both ES and SCRC purposes, Eversource
4 proposes to establish a transfer price equal to the Class I REC
5 prices established via the mechanism described previously.

6 5. (Line 10) Non-scrubber energy service under recovery: Consistent with the
7 settlement in Docket No. DE 17-113, these costs have been included in the SCRC
8 calculation. The \$824 thousand amount in July 2018 represents the true up
9 associated with the estimated 2017 NWPP REC revenues that were included in
10 the March 31, 2018 non-scrubber under recovery to the actual amount of NWPP
11 REC revenues once the 2017 REC compliance year was complete and all NWPP
12 RECs had been sold.

13 6. (Line 11): REC Sales Proceeds/2017 RPS True-Up: This line includes the
14 following items:

- 15 a. The loss (the net of revenues and costs) on 2017 REC sales.
- 16 b. The June 30, 2018 Class 1 REC inventory balance of unsold 2016 and
17 2017 RECs.
- 18 c. The 2017 RPS requirement true-up that is completed annually in June of
19 the following compliance year to true-up the actual RPS compliance
20 amount from the amount that was collected from customers in 2017.

- 1 d. Proceeds from the sales of 2018 RECs (Burgess and Lempster). The costs
2 for these 2018 REC sales are included in Lines 2 and 3 (with additional
3 detail provided on page 6, Lines 7 through 9 and Lines 17 through 19) as
4 the RECs are delivered.
- 5 7. (Line 12) ISO-NE Other/Residual Hydro O&M: The costs included in this line
6 are miscellaneous ISO resettlement costs along with credits that were historically
7 included in the ES rate. Additionally, included in this line are ongoing costs
8 associated with the hydro units.
- 9 8. (Line 13) Seabrook Costs and Credits: Charges and credits related to Seabrook
10 Power contracts between Eversource and North Atlantic Energy Company
11 (NAEC).
- 12 9. (Line 14) Returned on Stranded Thermal Assets: The return on the stranded
13 thermal assets is the carrying charge on the stranded thermal assets at the
14 stipulated rate of return prior to securitization.
- 15 10. (Line 15) Amortization of the Scrubber Deferral: Consistent with the terms of the
16 settlement approved in Docket No. DE 14-238, this is the continuation of the
17 amortization over a seven-year period of the scrubber deferral until securitization.
- 18 11. (Line 16) Excess Deferred Income Taxes (“EDIT”): At the beginning of 2018, the
19 Federal and State tax rates changed which resulted in EDIT. That excess is to be
20 refunded to customers.
- 21 12. (Line 17) 2018 SCRC True up: In January 2019, a post-year-end adjustment is
22 calculated for the December 31, 2018 SCRC deferral balance.

1 **Q. Referring to ELM/DFB-1, page 5, has Eversource included the cost of the shipping**
2 **contract Settlement and Release described in the Testimony of Fredrick White in**
3 **Docket No. DE 17-075 in the March 31, 2018 non-scrubber ES under recovery?**

4 A. Yes. As described above, and in accordance with Order No. 26,238 dated April 25, 2019,
5 in Docket No. DE 17-075, the \$3.4M payment associated with the settlement paid in
6 December 2016 has been included in this rate filing on Line 14.

7 **Q. Please describe the detailed support for the calculation of the RGGI rate provided**
8 **in Attachments ELM/DFB-3 and ELM/DFB-4.**

9 A. In Order No. 25,664 in Docket No. DE 14-048, and pursuant to RSA 125-O:23, II, the
10 Commission ordered that certain proceeds from the quarterly RGGI auctions be rebated
11 to Eversource's customers through the SCRC. Attachment ELM/DFB-3, page 1, and
12 Attachment ELM/DFB-4, page 1 provide a summary of 2019 and 2018 information
13 related to RGGI auctions and the amounts allocated to Eversource for refund.

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

15 A. Eversource is requesting approval of the updated August 1, 2019 RGGI rate provided in
16 this filing of negative 0.130¢/kWh as compared to the current February 1, 2019 RGGI
17 rate of negative 0.134¢/kWh.

18 **Q. Has the Company calculated the customer bill impacts for the proposed August 1,**
19 **2019 SCRC rate change?**

20 A. Yes, the rate impacts are provided in Attachment ELM/DFB-5.

- 1 • Page 1 provides a comparison of residential rates proposed for effect August 1,
2 2019 to current rates effective February 1, 2019 for a 500 550 kWh monthly bill,
3 a 600 kWh monthly bill, and a 650 kWh monthly bill.
- 4 • Page 2 provides a comparison of residential rates proposed for effect August 1,
5 2019 to rates effective August 1, 2018 for a 500 550 kWh monthly bill, a 600
6 kWh monthly bill, and a 650 kWh monthly bill.
- 7 • Page 3 provides the average impact of each change on bills for all rate classes by
8 rate component and on a total bill basis, excluding delivery service.
- 9 • Page 4 provides the average impact of each change on bills for all rate classes by
10 rate component and on a total bill basis, including energy service.

11 The rate impacts provided in Attachment ELM/DFB-5 incorporate changes in the
12 Distribution rate reflecting the temporary rates approved in Docket No. DE 19-057, the
13 Energy Service rate reflecting rate changes approved in Docket No. DE 19-082, and the
14 Transmission rate changes proposed in Docket No. DE 19-106 and the SCRC rate
15 changes proposed in this filing.

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

18 A. Yes, Eversource would need final approval of the SCRC and RGGI rate by July 25, 2019,
19 to implement the new rates for service rendered on and after August 1, 2019.

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

21 A. Yes, it does.