

THE STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ERICA L. MENARD
STRANDED COST RECOVERY CHARGE RATE
PRELIMINARY RATES EFFECTIVE FEBRUARY 1, 2020
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 **Q. Have you previously testified before the Commission?**

8 A. Yes.

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.

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

2 A. The purpose of this testimony is to: (1) provide an overview of this filing; and (2) to seek
3 the necessary approvals to set the updated average SCRC rates, including the Regional
4 Greenhouse Gas Initiative (“RGGI”) adder, that will take effect February 1, 2020.

5 **Q. Has the SCRC rate been calculated consistent with the August 1, 2019 SCRC rates**
6 **that were approved by Order No. 26,277 in Docket No. DE 19-108?**

7 A. Yes, the preliminary February 1, 2020 SCRC rates have been prepared consistent with
8 the last approved SCRC rates.

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

11 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F
12 and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549, defined
13 PSNH’s stranded costs and categorized them into three different parts (i.e., Part 1, 2 and
14 3). Part 1 costs were composed of the RRB Charge, which was calculated to recover the
15 principal, net interest, and fees related to the original Rate Reduction Bonds (“RRBs”).
16 These original RRBs were fully recovered as of May 1, 2013. As part of Eversource’s
17 divestiture of its generating facilities under the settlement in Docket No. DE 14-238, new
18 RRBs were issued in May 2018 and are included as Part 1 costs in the SCRC rate. Part 2
19 costs are “ongoing” stranded costs consisting primarily of the over-market value of

1 energy purchased from independent power producers (“IPPs”) and the amortization of
2 payments previously made for IPP buy-downs and buy-outs as approved by the
3 Commission. Also, as part of the divestiture of Eversource’s generating facilities, Part 2
4 incorporates various new costs, including: the costs of retained power entitlements,
5 unsecuritized prudently incurred decommissioning (if any), environmental, or other
6 residual costs or liabilities related to the generating facilities. Part 3 costs, which were
7 primarily the amortization of non-securitized stranded costs, were fully recovered as of
8 June 2006.

9 Additionally, the SCRC rate billed to customers includes the RGGI refund as required by
10 RSA 125-O:23, II and Order No. 25,664 (May 9, 2014), directing Eversource to rebate
11 RGGI auction revenue it receives through the SCRC rate.

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

14 A. No, it is not. Attachment ELM-1 and Attachment ELM-2 provide rate class specific
15 preliminary rate calculations for the SCRC proposed for February 1, 2020; however, prior
16 to the anticipated hearing in January 2020, Eversource plans to update the SCRC rate
17 calculations for changes attributable to various factors primarily related to the forecasted
18 over/(under)-market cost associated with the ongoing IPPs; Burgess PPA and Lempster
19 over/under-market costs; updated class specific RRB charges to be filed in January; and
20 any additional 2019 actual data available at that time. The preliminary February 1, 2020

1 average SCRC rates (excluding the RGGI rebate amount) provided in this filing are:
2 1.245 cents/kWh for Rate R customers compared to the current rate of 1.882 cents/kWh;
3 1.162 cents/kWh for Rate G customers compared to the current rate of 1.674 cents/kWh;
4 0.982 cents/kWh for Rate GV customers compared to the current rate of 1.433
5 cents/kWh; 0.350 cents/kWh for Rate LG customers compared to the current rate of
6 0.480 cents/kWh; and 1.427 cents/kWh for Rate OL/EOL customers compared to the
7 current rate of 1.685 cents/kWh. Attachment ELM-3 and Attachment ELM-4 provide the
8 preliminary February 1, 2020 RGGI adder rate calculation that results in the RGGI adder
9 changing from the current rate of negative 0.130 cents/kWh to negative 0.119 cents/kWh
10 for all customer classes.

11 **Q. How do the preliminary rates compare to the current rates?**

12 A. The table below provides a comparison of current rates and preliminary rates by rate
13 class, excluding the RGGI adder.

Rate Class	Current Rate (cents/kWh)	Preliminary Rate (cents/kWh)
R	1.882	1.245
G	1.674	1.162
GV	1.433	0.982
LG	0.480	0.350
OL/EOL	1.685	1.427

14

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

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

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

12 A. The decrease in the preliminary SCRC rates proposed for effect on February 1, 2020 as
13 compared to the current rates is due primarily to a reduction in Part 1 Costs of (\$2.3)
14 million, an increase of REC Revenue Transfers of (\$8.0) million, a reduction in the one-
15 time CSL Contract Settlement adjustment of (\$3.4) million and an increase of prior
16 period over recovery of (\$12.1) million. The table below provides additional detail
17 identifying the variance from the underlying cost in the rates that were approved for

1 August 1, 2019 and this proposed February 1, 2020 rate filing.

Description	(\$ 000s)		Inc/(Dec)
	Approved August 1 Rates	Proposed February 1 Rates	
Part 1 Costs	62,500	60,219	(2,281)
Part 2 Costs:			
Amortization and Return on IPP Buydowns/Buyouts	527	490	(37)
Above Market Non-Wood IPPs	2,260	2,490	230
Above Market Cost of Burgess	43,864	44,412	548
Above Market Cost of Lempster	1,677	1,055	(622)
Total Above Market IPA & PPA Costs	47,801	47,957	156
Energy Service REC Revenues Transfer	(4,353)	(12,318)	(7,965)
REC Sales Proceeds/RPS True-up	(412)	-	412
ISO-NE Other/Residual Hydro O&M	951	-	(951)
Seabrook Costs/Credits	(436)	-	436
EDIT	(4,933)	(5,762)	(829)
CSL Contract Settlement	3,421	-	(3,421)
Total Part 2 Return	219	(330)	(549)
Total Part 2 SCRC Costs	42,785	30,037	(12,748)
Prior Period Under Recovery	1,519	(10,615)	(12,134)
Total Part 1 and 2 Costs plus Prior Period Under Recovery	106,804	79,641	(27,163)

2

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

3 A. Attachment ELM -1, page 1 provides the calculation of the average SCRC rates for the
4 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 2020 forecasted cost information related to the Part 1 and Part 2 costs. Page 3 provides
7 the estimated rate class specific RRB charges that were calculated using the current RRB
8 rates established for the February 1, 2019 SCRC rate filing in Docket No. DE 18-182.
9 Page 4 has been provided to reconcile the amount of funds that are collected through the
10 RRB charge by its inclusion in the SCRC with the amount of funds that are in the
11 Collection and Excess Funds trust accounts. It is important to note that customers are not
12 directly paying the principal, interest and fees associated with the RRBs in the SCRC rate
13 calculation. Instead, customers are paying an RRB charge as part of the overall SCRC
14 rate that results in remittances to the RRB trust that are used to satisfy the principal,
15 interest and fees of the RRBs. The RRB charge is calculated to satisfy the principal,
16 interest and fees of the RRBs using the forecasted sales. Page 5 provides detailed cost
17 information by month related to the Part 2 ongoing costs, and summary information for
18 the Burgess and Lempster contracts as well as cost and actual revenues associated with
19 the purchases of RECs from these contracts and the transfer of REC revenues between
20 the ES rate and the SCRC rate to account for the Class I RECs necessary to satisfy the
21 Class I REC requirement for ES. Page 6 has been added to provide additional details
22 related to the Burgess and Lempster contracts as well as the cost associated with the

1 RECs purchased under these contracts and the transfer of revenues between the SCRC
2 and the ES rates. Attachment ELM-2, pages 1 through 6 provide the detailed cost and
3 revenue components relating to the SCRC reconciliation for the 12 months ended January
4 31, 2020.

5 **Q. How are the February 1, 2020 SCRC Part 1 Costs calculated?**

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

14 **Q. Will the RRB rates shown in the January 7, 2019 RRB True-Up letter be revised for**
15 **the February 1, 2020 SCRC rate filing?**

16 A. Yes. The Annual Routine True-up Letter is anticipated to be filed in mid-January 2020.
17 Once that letter is filed, the Part 1 costs will be updated to reflect the updated RRB rates
18 and applied to the kWh sales forecast used throughout the SCRC rate by class to calculate
19 the revenue required to apply to the to the Part 1 costs. Variances between estimated and

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

3 **Q. Could you please provide additional details for the Part 2 on-going costs included on**
4 **page 5 of Attachment ELM-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 7 shows the net
14 cost of the Burgess PPA. Additionally, provided in Attachment ELM-1 (page 6)
15 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 8 shows the
19 net cost of the Lempster PPA. Additionally, provided in Attachment ELM-1 (page
20 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 I REC obligation
3 for ES customers. This is consistent with the treatment of Class I 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 I 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 I RECs in excess of those necessary to
19 satisfy the energy service Class I REC requirement are sold, the proceeds
20 associated with the sales will be included in actual data.

21 6. (Line 11) ISO-NE/Other Costs: The costs included in this line are miscellaneous
22 ISO resettlement and other costs along with credits that were historically included
23 in the ES rate.

24 7. (Line 12) Residual Generation O&M: The ongoing costs and liabilities associated
25 with the divested Generation assets. These include property tax refunds, pension
26 credits, commitments associated with the hydro plants, and legal fees associated

1 with lawsuits related to the Generation assets when they were owned by
2 Eversource.

- 3 8. (Line 13) Excess Deferred Income Taxes (EDIT): At the beginning of 2018, the
4 Federal and State tax rates changed which resulted in EDIT. That excess is to be
5 refunded to customers.

6 **Q. Could you please also provide additional details on the costs on Lines 3 through 14**
7 **on page 5 of Attachment ELM-2?**

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

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

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

14 The REC amounts purchased from these sources may more than
15 meet energy service obligation quantities, eliminating the need for
16 Class I purchases. Since the 2015 Agreement calls for the costs of
17 those PPAs to be recovered via the SCRC, a transfer price for
18 RECs obtained under those PPAs used to satisfy RPS needs for ES
19 customers must be set. In order to properly account for these Class
20 1 REC purchases for both ES and SCRC purposes, Eversource
21 proposes to establish a transfer price equal to the Class I REC
22 prices established via the mechanism described previously.

- 23 5. (Line 10): REC Sales Proceeds: This line includes the following items:
- 24 a. Proceeds from the sales of 2019 RECs (Burgess and Lempster). The costs
25 for these 2019 REC sales are included in Lines 2 and 3 (with additional

1 detail provided on page 6, Lines 7 through 9 and Lines 17 through 19) as
2 the RECs are delivered.

- 3 6. (Line 11) ISO-NE/Other Costs: The costs included in this line are miscellaneous
4 ISO resettlement and other costs along with credits that were historically included
5 in the ES rate.
- 6 7. (Line 12) Residual Generation O&M: The ongoing costs and liabilities associated
7 with the divested Generation assets. These include property tax refunds, pension
8 credits, commitments associated with the hydro plants, and legal fees associated
9 with lawsuits related to the Generation assets when they were owned by
10 Eversource.
- 11 8. (Line 13) Seabrook Costs and Credits: Charges and credits related to Seabrook
12 Power contracts between Eversource and North Atlantic Energy Company
13 (NAEC).
- 14 9. (Line 14) Excess Deferred Income Taxes (EDIT): At the beginning of 2018, the
15 Federal and State tax rates changed which resulted in EDIT. That excess is to be
16 refunded to customers.
- 17 10. (Line 15) CSL Contract Settlement: In accordance with Order No. 26,238 in
18 Docket No. DE 17-075, Eversource had included the \$3.4 million attributable to
19 settlement of a shipping contract with CSL. In that the settlement funds have been
20 recovered, that amount is now being removed from the rate

1 **Q. Please describe the detailed support for the calculation of the RGGI rate provided**
2 **in Attachments ELM-3 and ELM-4.**

3 A. In Order No. 25,664 in Docket No. DE 14-048, and pursuant to RSA 125-O:23, II, the
4 Commission ordered that certain proceeds from the quarterly RGGI auctions be rebated
5 to Eversource's customers through the SCRC. Attachment ELM-3, page 1, and
6 Attachment ELM-4, page 1 provide a summary of 2020 and 2019 information related to
7 RGGI auctions and the amounts allocated to Eversource for refund.

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

9 A. No, it is not. Attachment ELM-3, page 1 provides a preliminary rate calculation;
10 however, prior to the anticipated hearing in January 2020, Eversource plans to update the
11 RGGI rate calculation for additional 2019 data. The preliminary February 1, 2020 RGGI
12 rate provided in this filing is negative 0.119 cents/kWh and is 0.011 cents/kWh higher
13 than the current February 1, 2019 RGGI rate of negative 0.130 cents/kWh.

14 **Q. Has the Company included rate exhibits and calculations of the customer bill**
15 **impacts for the proposed February 1, 2020 SCRC rate change?**

16 A. Yes, this detail is provided in Attachment ELM-5.

- 17 • Page 1 compares the current SCRC rates in effect to the preliminary SCRC rates
18 proposed for effect February 1, 2020 by rate class.
- 19 • Page 2 provides the rate adjustment factor and SCRC rates by rate class for the
20 current and preliminary SCRC rates, including and excluding the RGGI refund.

- 1 • Page 3 provides the calculation of the SCRC rate adjustment factors by rate
2 classification for the preliminary proposed average SCRC rates and RGGI adders.
- 3 • Page 4 provides a comparison of residential rates proposed for effect February 1,
4 2020 to current rates effective August 1, 2019 for a 550 kWh monthly bill, a 600
5 kWh monthly bill, and a 650 kWh monthly bill.
- 6 • Page 5 provides a comparison of residential rates proposed for effect February 1,
7 2020 to rates effective February 1, 2019 for a 550 kWh monthly bill, a 600 kWh
8 monthly bill, and a 650 kWh monthly bill.
- 9 • Page 6 provides the average impact of each change on bills for all rate classes by
10 rate component on a total bill basis, excluding delivery service.
- 11 • Page 7 provides the average impact of each change on bills for all rate classes by
12 rate component on a total bill basis, including energy service.

13 The rate impacts provided in Attachment ELM-5 incorporate changes in the Distribution
14 rates reflecting the temporary rates approved in Docket No. DE 19-057, the Energy
15 Service rate reflecting rate changes proposed in Docket No. DE 19-082 for effect on
16 February 1, 2020, and the SCRC rate changes proposed in this filing.

17 **Q. Has the Company provided updated Tariff pages as part of this filing?**

18 A. No. Updated tariff pages will be provided with the Company's updated filing in January
19 2020.

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

3 A. Yes, Eversource would need final approval of the SCRC and RGGI rate by January 24,
4 2020, to implement the new rates for service rendered on and after February 1, 2020.

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

6 A. Yes, it does.