

STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY

Docket No. DE 20-005

SETTLEMENT AGREEMENT ON AUDIT OF DIVESTITURE-RELATED COSTS

This Settlement Agreement (“Settlement Agreement”) is entered into this 30th day of September, 2020, by and among Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource” or the “Company”) and the Staff of the Public Utilities Commission (“Staff”), being parties to Docket No. DE 20-005 (together, the “Settling Parties”). This Settlement Agreement resolves all issues with respect to the Company’s divestiture of its generating assets and the recovery of divestiture-related costs at issue in Docket No. DE 20-005.

SECTION 1. INTRODUCTION AND PROCEDURAL HISTORY

1.1 On November 27, 2019, Eversource filed with the Public Utilities Commission (“Commission”) a Motion for Commencement of Audit of Divestiture-Related Costs, including supporting schedules and testimony (“Motion”).¹ The Motion requested that the Commission “initiate an audit of the Company’s rate-reduction bond (RRB) transaction, including the principal amount financed and total divestiture-related costs, to enable recovery of such costs as prudent divestiture-related costs” (Motion at 2).

1.2 The Motion followed the Commission’s approval of the 2015 New Hampshire Restructuring and Rate Stabilization Agreement (“2015 Settlement”), which provided for

¹ The Motion included the Direct Testimony of Robert A. Bersak and Attachments RAB-1 and RAB-2, and the Direct Testimony of Catherine A. Finneran and Attachment CAF-1. The Motion was submitted in Docket No. DE 17-096. The Commission opened Docket No. DE 20-005 based on the Motion. Docket No. DE 20-005 Secretarial Letter, Jan. 21, 2020.

Eversource's divestiture of its remaining fossil and hydro generation facilities. Order No. 25,920 (July 1, 2016). Subsequently, in Order No. 25,956 (October 21, 2016), the Commission approved removal of mercury boilers from Schiller Station, with removal work beginning before sale of that facility. Pursuant to the terms of the 2015 Settlement, Eversource's generation facilities were subsequently sold at auction. The Commission approved the sale of Eversource's fossil fleet in Order No. 26,078 (November 28, 2017), and that sale closed on January 10, 2018. The Commission approved the sale of Eversource's hydro fleet in Order No. 26,080 (November 29, 2017), and that sale closed on August 24, 2018. The removal of mercury boilers and associated equipment at Schiller Station was completed on March 31, 2019.

1.3 The Commission approved Eversource's securitization of a principal amount of up to \$690 million of RRBs to recover the divestiture-related costs. Order No. 26,099 (January 30, 2018). The Company issued its RRBs on May 8, 2018, in the aggregate principal amount of \$635,663,200. This principal amount was based on Eversource's estimate of divestiture-related costs including mercury removal costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections, and other costs as provided by the 2015 Settlement.

1.4 As described in the Motion, the Company's actual divestiture-related costs totaled \$654,046,809, leaving an unrecovered balance of \$18,383,609 after recovery from the RRBs. The Company proposed to recover this balance over one year through the Stranded Cost Recovery Charge ("SCRC") Part 2, as established by the 1999 Agreement to Settle PSNH Restructuring in Docket No. DE 99-099, and to include this amount in its August 2020 update of the SCRC.

1.5 In its Order of Notice, the Commission stated that the Motion "raises, inter alia, issues related to whether the divestiture-related costs are accurately accounted for and whether those costs

represent prudent and reasonable costs as required by RSA Chapter 374-F, RSA Chapter 369-A, RSA Chapter 369-B, RSA 378:7, and RSA 378:28.” Order of Notice at 2. The Commission further stated that this docket would “determine the full amount of prudently incurred stranded costs resulting from divestiture, but will not set the stranded cost recovery rate.” Id.

1.6 The Commission conducted a prehearing conference in this matter on February 14, 2020. The Settling Parties met following the prehearing conference and agreed to a procedural schedule that included issuance of Staff’s final audit report, two rounds of discovery, technical sessions and settlement conferences, testimony and hearings.

1.7 Staff issued its final audit report on May 15, 2020 (“Staff Audit Report”), consisting of detailed analysis and findings in a 106-page report. The Company subsequently responded to two sets of Staff data requests, as well as additional data requests issued during a technical session on August 6, 2020.

1.8 The Settling Parties participated in the aforementioned technical session on August 6, 2020. The Settling Parties participated in a subsequent technical session on August 17, 2020, which included a settlement conference. The Settling Parties then had further discussions that resulted in this Settlement Agreement, which is intended to resolve all issues in this case. The Settling Parties recommend and request that the Commission approve this Settlement Agreement without modification.

SECTION 2. SETTLEMENT ADJUSTMENTS

2.1 The Company’s total costs eligible for securitization shall be \$647,670,054, representing a reduction \$6,376,755 from the Company’s divestiture-related costs identified in the Motion. This adjustment results in an unrecovered balance of \$12,006,854 after recovery from the RRBs.

Attachment 1 to this Settlement Agreement provides a summary of the agreed upon costs eligible for securitization and the unrecovered balance.

2.5 The Settling Parties agree that the settlement adjustments contained in this Settlement Agreement result in total allowed divestiture-related costs that are just and reasonable. No other adjustments shall be made to the Company's allowed divestiture-related costs.

SECTION 3. COST RECOVERY

3.1 The unrecovered balance of divestiture-related costs of \$12,006,854 shall be allowed for recovery through Part 2 costs in the SCRC beginning in February 2021.

3.2 The \$12,006,854 shall be recovered over a one-year period and allocated using the Part 2 allocation methodology consistent with the 2015 Settlement. Attachment 2 to this Settlement Agreement provides the illustrative SCRC rate and rate impacts.

SECTION 4. TERM

4.1 This Settlement Agreement is subject to and shall become effective upon Commission approval. The Settling Parties shall use best efforts to obtain Commission approval on or before December 15, 2020.

SECTION 5. GENERAL PROVISIONS

5.1 This Settlement Agreement is expressly conditioned upon the Commission's acceptance of all its provisions, without change or condition. If the Commission does not accept this Settlement Agreement in its entirety, without change or condition, or if the Commission makes any findings that go beyond the scope of this Settlement Agreement, and any of the Settling Parties notify the Commission within five business days of their disagreement with any such changes, conditions, or findings, the Agreement shall be deemed to be withdrawn, in which event it shall be deemed to

be null and void and without effect, shall not constitute any part of the record in this proceeding, and shall not be relied on by Staff or any party to this proceeding or by the Commission for any other purpose.

5.2 Under this Settlement Agreement, the Settling Parties agree to this joint submission to the Commission as a resolution of the issues specified herein only.

5.3 The Settling Parties agree that the Commission's approval of this Settlement Agreement will not constitute continuing approval of, or precedent for, any particular principle or issue, but such acceptance does constitute a determination that the adjustments and provisions stated in their totality are just and reasonable and consistent with the public interest and that the rates contemplated will be just and reasonable under the circumstances.

5.4 This Settlement Agreement shall not be deemed an admission by any of the Settling Parties that any allegation or contention in this proceeding by any other party, other than those specifically agreed to herein, is true and valid. This Settlement Agreement shall not be construed to represent any concession by any Settling Party hereto regarding positions taken with respect to the Company's divestiture-related costs in this docket, nor shall this Settlement Agreement be deemed to foreclose any Settling Party in the future from taking any position in any subsequent proceedings. The amounts associated with each of the settlement adjustments detailed herein are liquidated amounts that reflect a compromise of all the issues in this proceeding.

5.5 The pre-filed testimony and supporting documentation previously provided in this proceeding are not expected to be subject to cross-examination by the Settling Parties, which would normally occur in a fully litigated case. The Settling Parties agree that all pre-filed testimony and supporting documentation should be admitted as full exhibits for the purpose of

consideration of this Settlement Agreement, and be given whatever weight the Commission deems appropriate. Consent by the Settling Parties to admit all pre-filed testimony without challenge does not constitute agreement by any of the Settling Parties that the content of the pre-filed testimony is accurate or that the views of the witnesses should be assigned any particular weight by the Commission. The resolution of any specific issue in this Settlement Agreement does not indicate the Settling Parties' agreement to such resolution for purposes of any future proceedings, nor does the reference to any other document bind the Settling Parties to the contents of, or recommendations in, that document for purposes of any future proceeding. The Commission's approval of the recommendations in this Agreement shall not constitute a determination or precedent with regard to any specific adjustments, but rather shall constitute only a determination that the rates resulting from, and other specific conditions stated in this Settlement Agreement are just and reasonable. The Settling Parties agree to forego cross-examining witnesses regarding their pre-filed testimony and, therefore, the admission into evidence of any witness's testimony or supporting documentation shall not be deemed in any respect to constitute an admission by any party to this Agreement that any allegation or contention in this proceeding is true or false, except that the sworn testimony of any witness shall constitute an admission by such witness.

5.6 The rights conferred and the obligations imposed on the Settling Parties by this Settlement Agreement shall be binding on or inure to the benefit of any successors in interest or assignees as if such successor or assignee was itself a signatory party. The Settling Parties agree to cooperate in advocating that this Settlement Agreement be approved by the Commission in its entirety and without modification.

5.7 The discussions that produced this Settlement Agreement have been conducted on the understanding that all offers of settlement and settlement discussions relating to this docket shall

be confidential, shall not be admissible as evidence in this proceeding, shall be without prejudice to the position of any party or participant representing any such offer or participating in any such discussion, and are not to be used in connection with any future proceeding or otherwise. The content of these negotiations, including any documents prepared during such negotiations for the purpose of reaching a settlement, shall be privileged and all offers of settlement shall be without prejudice to the position of any party presenting such offer.

5.8 This Settlement Agreement may be executed by facsimile or electronically as permitted by Puc rule 202.07, and in multiple counterparts, each of which shall be deemed to be an original, and all of which, taken together, shall constitute one agreement binding on all Settling Parties.

SECTION 6. CONCLUSION

6.1 The Settling Parties affirm that the proposed Settlement Agreement will result in just and reasonable rates and should be approved.

[signature page follows]

Dated: September 30, 2020

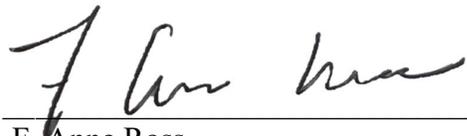
Public Service Company of New Hampshire d/b/a
Eversource Energy

By: 

Jessica A. Chiavara
Its Attorney

Dated: September 30, 2020

Staff of the New Hampshire Public Utilities
Commission

By: 

F. Anne Ross
Its Attorney