

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 20-085

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
D/B/A EVERSOURCE ENERGY**

Petition to Change Transmission Cost Adjustment Mechanism Rates

Order Approving Change to Transmission Cost Adjustment Mechanism Rates

ORDER NO. 26,386

July 31, 2020

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; and Lynn Fabrizio, Esq., on behalf of Commission Staff.

This order approves an increase to transmission cost adjustment mechanism rates for Eversource customers effective with services rendered on and after August 1, 2020. For residential customers, the rate will increase from 2.241 cents per kWh to 3.011 cents per kWh. The transmission cost adjustment mechanism is one of three rate components that will change on August 1.

I. PROCEDURAL HISTORY

The Commission approved the creation of Eversource's transmission cost adjustment mechanism (TCAM) for the reconciliation and recovery of transmission expenses and revenues in Docket No. DE 06-028, Eversource's 2006 distribution rate case. *See Public Service Co. of N.H.*, Order No. 24,750 at 23 (May 25, 2007). By letter dated June 2, 2020, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource, or the Company) asked the Commission to open this docket to set a new average TCAM rate. The Commission issued an Order of Notice on June 25.

On July 10, Eversource filed a petition to increase the TCAM rate from the current overall average rate of 2.051 cents per kilowatt hour (kWh) to 2.679 cents per kWh, for effect on August 1. Eversource also submitted a lead/lag study of transmission-related receipts and revenues, which it had used in the calculation of the proposed average TCAM rate. On July 15, Eversource filed certain revisions to the petition to update its calculations. A web-enabled hearing was held as scheduled on July 22. After the hearing, the Company filed Exhibit 2 in response to a record request of the Commission, including a revised calculation of the proposed overall average TCAM rate of 2.758 cents per kWh.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2020/20-085.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

Eversource's TCAM rate allows the Company to recover in full certain Federal Energy Regulatory Commission (FERC) approved transmission costs. The proposed average TCAM rate is based on a reconciliation of historic and forecasted transmission costs, using the latest transmission rates approved by FERC.

Eversource's TCAM rate calculation includes two groups of transmission costs. The first group consists of four categories of wholesale transmission costs, including: (1) regional network service (RNS) costs, (2) local network service (LNS) costs, (3) RNS reliability costs, and (4) scheduling and dispatch costs. All of those costs are regulated by FERC. The second group of costs includes Hydro-Quebec support costs offset by related revenues, and the TCAM working capital allowance.

RNS costs are the costs required to support regional transmission infrastructure throughout New England. RNS costs are billed to each transmission owner in the region that has RNS load responsibilities, based on that entity's monthly peak load. Eversource reported that the FERC approved RNS rate, effective June 1, 2020, is \$129.26 per kW-year, or approximately \$26.44 per MWh – an increase of \$2.82 per MWh.

LNS costs encompass local transmission costs incurred by the Company's corporate parent that are not included in the RNS tariff, and are allocated to Eversource's affiliated distribution companies based on a load ratio share calculated using a rolling 12-month coincident peak. Eversource reported the FERC approved LNS rate is \$3.85 per MWh, an increase of \$1.51 per MWh. Eversource stated that over the last year, due to reduced demand relative to the prior year forecast, the Company under collected \$15.5 million associated with LNS. Eversource initially proposed recovering \$15.5 million over 24 months, with interest accruing. Eversource also calculated the overall average TCAM rate, with a 12-month recovery of the under collection, in Exhibit 2.

RNS reliability costs include blackstart capability and reactive power. Blackstart costs consist of payments to certain generating units that have demonstrated their ability to start and energize the electrical grid without relying on the external electric power transmission network to begin operation. The reliability costs represent payments to qualified generating units that are capable of providing reactive power to maintain transmission voltages necessary for the operation of the New England transmission system. ISO New England (ISO-NE) bills reliability costs to all load serving entities in the region based on each entity's monthly peak load.

Scheduling and dispatch costs are associated with the services provided by ISO-NE related to scheduling, system control, and dispatch services. Those costs are also billed

by ISO-NE to load serving entities that have RNS load responsibility based on their monthly peak loads, in accordance with applicable FERC tariffs.

Hydro-Quebec support costs are associated with FERC-approved contractual agreements between Eversource Energy subsidiaries, including Eversource, and other New England utilities, to provide support for transmission and terminal facilities that have been used to import electricity from Hydro-Quebec. Under those agreements, Eversource is charged its proportionate share of operations and maintenance capital costs for a 30-year period ending in 2020. Effective July 1, 2010, Eversource also began returning its share of any Hydro-Quebec facility revenues to customers as a revenue credit in the calculation of the TCAM rate. The Company is currently engaged in negotiations to extend the contract for an additional twenty years. Therefore, forecasted expenses and revenue credits are included in this TCAM filing.

When the TCAM rate was first approved in 2007, the rate did not include an allowance for working capital related to transmission and the associated working capital was recovered through distribution rates. In Eversource's 2009 distribution rate case, the Commission approved recovery of transmission-related working capital through the TCAM rate. Eversource conducted a lead/lag study to calculate the transmission-related working capital requirement for the instant filing. In pre-filed testimony, Eversource presented the results of its study, which calculated an overall net lead of 11.6 days.

The TCAM allows the Company to set transmission rates for a defined future billing period based on transmission cost estimates, using current and forecast data, most of which is provided by ISO-NE. The TCAM rate also includes all actual cost and revenue data available from the previous year at the time of the filing, as well as over- or under-recoveries that are incorporated into the next TCAM rate. The forecast period in this filing is the 12-month period

from August 2020 through July 2021, and the reconciliation period includes actual results for January 2019 through May 2020, and estimated results for June and July 2020.

Eversource stated that it calculated the average rate in the same manner that it has used since the approval of the settlement agreement in Docket No. DE 06-028. With the exception of the Backup Delivery Service Rate B (Rate B), the Company adjusts all transmission rates by an equal percentage to achieve the overall average 2.758 cents per kWh transmission rate.

According to Eversource, the increase in the average TCAM rate is driven primarily by increased RNS costs of \$22.2 million, an increase in LNS costs of \$6.7 million, a decrease in the forecasted over recovery of \$6.8 million, and a decrease in the forecasted Hydro-Quebec Interconnection Capacity Credits of \$1.9 million and increased other costs of \$1.2 million. The proposed adjustment to the TCAM rate effective August 1, 2020, includes an unusually large under-recovery of LNS costs of approximately \$15.5 million, primarily due to actual New England RNS loads being 1,000 MW (or approximately 5 percent) less than forecasted.

For Rate B, the DE 06-028 settlement agreement provides that transmission costs are recovered, in part, through a demand charge, and it splits the demand charge into base and incremental components. The settlement agreement describes the cost allocation for the base component and states that other transmission rates will be calculated through equal percentage adjustments. To calculate the base component, a portion of the TCAM costs is allocated to Rate B based on the class contribution to the Company's demand at the time of Eversource's monthly system peaks. The costs are reconciled against actual revenue for the class, with any resulting over- or under-collection flowing into the rate calculation. The incremental component of the rate is adjusted by the same percentage applied to all other rates.

As a result of the adjustments to the overall average rate, including recovery of \$15.5 million over 12 months, Eversource calculated a residential TCAM rate of \$0.03011 per kWh for effect August 1, 2020.

Eversource has proposed several rate changes for effect on August 1, 2020: TCAM rates, energy service rates, and Stranded Cost Recovery Charge (SCRC) rates. Eversource stated that as a result of all the proposed rate changes, a residential energy service customer using 600 kWh per month would see a monthly decrease of about \$2.33, or 2.0 percent compared to rates currently in effect. The overall rate reduction is due to the decrease in energy service rates.

B. Staff

Staff recommended approval of the proposed Transmission Cost Adjustment Mechanism to customer rates as revised and corrected on July 14, subject to an adjustment to reflect a 12-month recovery of the LNS under-collection amount. Staff argued that a 12-month recovery period for LNS charges should be applied, rather than the 24-month recovery period proposed in the petition. According to Staff, the difference of roughly 50 cents per month on a typical residential customer bill does not justify the incurrence of the interest that would accrue and apply to customer bills for the additional 12 months of recovery.

Staff stated that it had reviewed the updated lead-lag study included in the Company's filing and found that it was reasonable and had been prepared in a manner consistent with past practice. Staff therefore supported the results of the study for the purposes of calculating the transmission-related cash working capital.

III. COMMISSION ANALYSIS

Based on the record before us, we find that Eversource used the appropriate method to calculate the TCAM rates consistent with the terms of the settlement agreement approved by

Order No. 24,750. At this time, we believe it more appropriate to recover the under collection in LNS over the next 12 months, particularly because the rate impact of increased transmission costs is currently offset by lower energy prices.

Given the Covid-19 pandemic and its potential impact on electricity sales, we are concerned that electricity demand could be lower than forecast this year resulting in a similar LNS under collection next year. The potential for future under collections underscores the need to recover the current LNS under collection in a 12-month period. We also agree with Staff that the interest accrued over a 24-month recovery period will ultimately cost ratepayers more.

We are satisfied that the transmission costs included in the filing, as revised and supplemented in the course of the proceeding, are consistent with the applicable FERC-approved tariffs and the resulting rates are just and reasonable pursuant to RSA 374:2 and RSA 378:7. Accordingly, we approve the Company's requested overall average TCAM rate of 2.758 cents per kWh, effective with service rendered on and after August 1, 2020.

This TCAM rate change, combined with adjustments to the Company's energy service and Stranded Cost Recovery Charge (SCRC) rates, all for effect on August 1, 2020, will result in an overall 2.0 percent decrease in monthly bills, as compared with the current period, for residential customers who use 600 kWh per month and take energy service from Eversource.¹ When compared to rates in effect for the same period last year (August 1, 2019, through January 31, 2020), the bills for those residential customers will be approximately 7.4 percent lower, primarily due to the decrease in the energy service charge.

¹ As discussed in Order No. 26,387, when net metering costs are removed from the calculation of the SCRC, we expect the overall rate decrease for residential customers on default service to be slightly greater.

For residential customers taking energy service from a competitive supplier, the delivery portion of their monthly bills will increase by approximately 7.9 percent compared to what those customers are currently paying.²

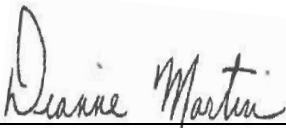
Based upon the foregoing, it is hereby

ORDERED, that the petition by Eversource for approval of an overall average transmission cost adjustment mechanism rate of 2.758 cents per kWh for effect August 1, 2020, is hereby APPROVED; and it is

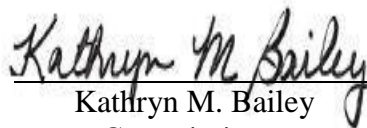
FURTHER ORDERED, that Eversource is authorized to use the results of the lead/lag study in its calculation of rates; and it is

FURTHER ORDERED, that Eversource file conforming tariff pages within 20 days of the date of this order pursuant to Puc Part 1603.

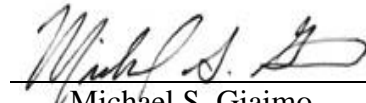
By order of the Public Utilities Commission of New Hampshire this thirty-first day of July, 2020.



Dianne Martin
Chairwoman

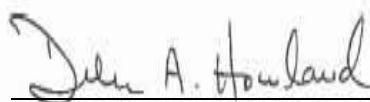


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

² As noted in the previous footnote, when net metering costs are removed from the calculation of the SCRC, we expect the overall rate increase for residential customers taking energy service from a competitive supplier to be slightly lower.

Service List - Docket Related

Docket# : 20-085

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