

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 20-095

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

Adjustment to Stranded Cost Recovery Charge

Order Approving Adjustment to Stranded Cost Recovery Charge

ORDER NO. 26,387

July 31, 2020

APPEARANCES: Jessica A. Chiavara, Esq., on behalf of Public Service Company of New Hampshire d/b/a/ Eversource Energy; and F. Anne Ross, Esq., on behalf of Commission Staff.

This order approves an adjustment to the Stranded Cost Recovery Charge for Eversource's customers effective with services rendered on and after August 1, 2020. For residential class customers, the average Stranded Cost Recovery Charge will increase from 1.143 cents per kWh to 1.221 cents per kWh. The stranded cost charge is one of three rate components that will change on August 1, as discussed below.

I. PROCEDURAL HISTORY

On June 11, 2020, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) filed a petition to adjust its Stranded Cost Recovery Charge (SCRC) for the six-month period beginning August 1, 2020. The Office of the Consumer Advocate (OCA) filed a letter of participation on June 16. On July 10, Eversource updated its calculation of the SCRC rates. On July 14, the Company filed a correction to its updated rates requesting an average SCRC rate for residential customers of 1.221 cents per kilowatt hour (kWh), an increase from the current average of 1.143 cents per kWh. This average SCRC rate excludes a credit associated with the Regional Greenhouse Gas Initiative (RGGI) auction

proceeds and includes a Chapter 340 Adder relating to certain over-market costs associated with the Burgess BioPower Power Purchase Agreement.¹

The petition and subsequent docket filings, other than any information for which confidential treatment is requested or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2020/20-095.html>.

II. BACKGROUND

The SCRC recovery mechanism was initially established pursuant to the 1999 Agreement to Settle PSNH Restructuring in Docket No. DE 99-099 (1999 Agreement), which defined stranded costs and separated them into three categories: Part 1, Part 2, and Part 3. The original stranded costs associated with Part 1 and Part 3 have been fully recovered. In recent years, the only costs recovered through the SCRC rate mechanism have been Part 2 costs, which are “ongoing” stranded costs, consisting primarily of the over-market value of energy purchases from independent power producers (IPPs), and the amortization of payments previously made from IPP buy-downs and buy-outs approved by the Commission. Part 2 costs continue to include all costs and market revenues associated with the existing IPPs and the amortization of payments previously made for IPP buy-downs or buy-outs.

In *Public Service Company of New Hampshire d/b/a Eversource Energy*, Order No. 25,920 (July 1, 2016), the Commission approved the 2015 Restructuring and Rate Stabilization Agreement (2015 Agreement). The 2015 Agreement provided for the divestiture of Eversource's generation facilities and recovery of stranded costs associated with divestiture.

¹ Recovery of those costs was approved in Docket No. DE 19-142 by Order No. 26,331 (January 31, 2020).

Pursuant to the 2015 Agreement, a portion of the costs associated with divestitures are recovered through Rate Reduction Bonds (RRBs) as a new Part 1 stranded cost, to be recovered through the SCRC. The RRBs were issued in May 2018 and related costs are now included in Part 1 stranded costs.

Consistent with the 2015 Agreement, Eversource now includes a number of elements not previously included in the SCRC, in particular: costs and market revenues associated with existing IPPs; as well as estimated class specific RRB charges associated with securitization of stranded costs. Those additional elements to the SCRC were approved by Order No. 26,116 (March 29, 2018).

On January 30, 2020, the Commission issued Order No. 26,331, approving an agreement to adjust the Purchase Power Agreement (PPA) between Eversource and Burgess BioPower to implement the terms of 2018 N.H. Laws, Chapter 340, “An Act requiring the public utilities commission to revise its order affecting the Burgess BioPower plant in Berlin.” As part of that adjustment the over-market costs in excess of the cap, as defined in the PPA, will be recovered in current rates. Recovery of those costs is accomplished through the “Chapter 340 Adder”.

III. POSITIONS

A. Eversource

On July 14, Eversource filed a correction to its updated rates requesting an average SCRC rate for residential customers of 1.221 cents per kWh, an increase from the current average of 1.143 cents per kWh. This average SCRC rate excludes a credit associated with the Regional Greenhouse Gas Initiative (RGGI) auction proceeds and includes a Chapter 340 Adder relating to certain over-market costs associated with the Burgess BioPower Power Purchase

Agreement. The Chapter 340 Adder calculated by Eversource for the period beginning August 1, 2020, is 0.607 cents per kWh for all customers.

The SCRC rates also include a RGGI credit based upon the amount of RGGI auction proceeds received by Eversource, above one dollar per allowance. Those excess RGGI proceeds are credited back to customers on a uniform per kilowatt hour basis pursuant to RSA 125-O:23. In this filing, Eversource calculated the RGGI credit to be 0.130 cents per kWh.

Eversource proposed that net metering costs be removed from its energy service rates and recovered through the SCRC. Eversource argued that those costs are more appropriately recovered from all customers through the SCRC rather than from its energy service customers and that recovery through the SCRC would be consistent with the intent of the 2015 Agreement. Eversource would include net metering costs and group host net metering costs and any offsetting market revenues in Part 2 of its SCRC rate.

Eversource explained that, historically, there was a single SCRC rate applied to all customers. As part of the approved 2015 Agreement, the SCRC revenue requirement is now allocated to each rate class according to the following percentages: 48.75 percent to residential customers (rate class R); 25 percent to general service customers (rate class G); 20 percent to primary general service customer (rate class GV); 5.75 percent to large general service customers (rate class LG); and 0.5 percent to outdoor lighting customers (rate class OL). There are various rates within each class and, as a result, there is no longer a single SCRC for all customers, or even a uniform rate for each class.²

² Eversource claims that following completion of all divestiture transactions, additional stranded costs should be recovered, in excess of the amount currently being recovered through the RRBs. Those claimed excess costs are not currently included in the SCRC rates. The total costs of divestiture are the subject of an on-going docket to consider the prudence and appropriateness of those costs. Once the costs of divestiture are finally determined and approved for recovery by the Commission, the stranded cost charge will be adjusted accordingly. *See* Docket DE 20-005.

Based on the revenue requirement calculated in the July 14, 2020, update and the allocation percentages described above, Eversource estimated that residential customers would pay an average SCRC of 1.221 cents per kWh, an increase from the current average of 1.143 cents per kWh. The proposed SCRC rates for customer classes under the July 14 updated filing, excluding the RGGI credit, are as follows:

<u>Rate Class</u>	<u>Average SCRC Rate (cents per kWh)</u>
R	1.221
G	1.130
GV	1.036
LG	0.734
OL/EOL	1.147

Eversource proposed several rate changes for effect August 1, 2020, including: SCRC rates, Transmission Cost Adjustment Mechanism rates, and energy service rates.

B. Staff

Staff reviewed the Company's initial filing and subsequent corrections and determined that the company appropriately calculated SCRC rates to reflect updated actual and estimated costs, including the impact of changes in the forecasted market prices associated with energy purchases from IPPs, and the new SCRC stranded costs related to RRBs, net metering costs, and the Chapter 340 Adder.

Staff recommended approval of the proposed rates as revised and corrected on July 14, and concluded the resulting rates are just and reasonable as required by RSA 374:2 and RSA 378:7.

IV. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to determine the just, reasonable, and lawful rates to be charged by public utilities. Any recovery of stranded costs “should be through a nonbypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, consistent with the promotion of fully competitive markets, and consistent with [restructuring] policy principles.” RSA 374-F:3, XII(d).

Eversource has proposed that net-metering and group host costs be recovered through the SCRC rather than through its energy service rate, beginning in February 2020. In Order No. 26,368 at 7 (June 18, 2020), approving Eversource’s energy service rates in Docket No. DE 20-054, we acknowledged the proposed transfer to SCRC of net metering costs, but declined to address the issue and indicated that we would evaluate the proposal in this docket. We find that this issue has not been sufficiently developed either factually or legally for us to allow Eversource to recover net metering costs through the SCRC. Consequently, we will require Eversource to remove net metering costs from the SCRC and file a new calculation of the SCRC without those costs included.

We will open a new docket forthwith to determine the appropriate recovery mechanism and rate treatment for Eversource’s net metering costs and group host costs. We note that the Commission previously approved a settlement providing that utilities would “have the opportunity to recover lost revenues attributable to customer net metering pursuant to the mechanism and process approved by the Commission for Unitil by Order No. 25,991 (February 21, 2017) issued in Docket DE 15-147.” *Development of New Alternative Net Metering Tariffs and/or Other Regulatory Mechanisms and Tariffs for Customer Generators,*

Order No. 26,029 at 50-51 (June 23, 2017). We note that Eversource has previously recovered net metering costs in its energy service rates and may include those costs in its next energy service filing if a new recovery mechanism has not been approved before that filing is made.

Public Service Company of New Hampshire, Order No. 26,368 at 7 n.1 (June 18, 2020).

We find that Eversource appropriately calculated the SCRC rates to reflect updated actual and estimated costs, including the impact of changes in the forecasted market prices associated with energy purchases from IPPs, and the new SCRC stranded costs related to the RRBs, and the Chapter 340 Adder. Our approval of the SCRC rates in this docket does not include an approval of any of the underlying costs of divestiture or costs relating to the divested facilities. Those costs are currently under review in Docket DE 20-005. Although we direct Eversource to remove net metering costs and recalculate the SCRC rates, we otherwise find the resulting rates are just and reasonable as required by RSA 374:2 and RSA 378:7 and approve them as recalculated.

This SCRC rate change, combined with adjustments to Eversource's energy service, and TCAM rates, all for effect August 1, 2020, will result in an overall 2.0 percent decrease with net metering costs included. When net metering costs are removed from the calculation of the SCRC, we expect the decrease to be slightly greater.

For a residential customer using 600 kWh per month and taking energy service from a competitive supplier, the delivery portion of the monthly bill would increase by approximately 4.4 percent. When net metering costs are removed from the calculation of the SCRC, we expect the increase to be slightly lower.

Based upon the foregoing, it is hereby

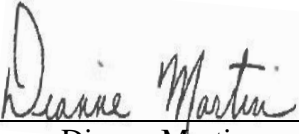
ORDERED, Eversource's average SCRC rate, including the RGGI credit, for effect on a service-rendered basis for the six-month period beginning August 1, 2020, as depicted in Hearing Exhibit 2 Bates page 23 is hereby **APPROVED** with the exception of the inclusion of net metering costs; and it is

FURTHER ORDERED, that Eversource shall recalculate the average SCRC rate to exclude net metering costs, and reallocate stranded costs in rates among various customer classes as appropriate; and it is

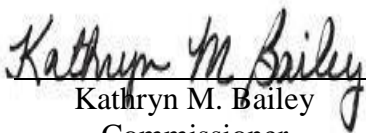
FURTHER ORDERED, that Eversource shall, on an ongoing basis, reconcile the estimated Part 2 SCRC costs with actual costs, and include the reconciliation in subsequent rate calculations; and it is

FURTHER ORDERED, that Eversource shall file its new calculations, allocations, and conforming tariff pages pursuant to N.H. Admin. R., Part Puc 1603, within 20 days of the date of this order.

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



Dianne Martin
Chairwoman

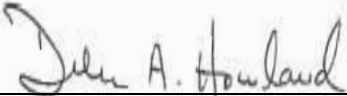


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
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Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket# : 20-095

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