

THE STATE OF NEW HAMPSHIRE
BEFORE THE
PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF ERICA L. MENARD
STRANDED COST RECOVERY CHARGE RATE
UPDATED RATES EFFECTIVE FEBRUARY 1, 2021
Docket No. DE 20-095

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 (“PSNH”, “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. On December 17, 2020, Eversource submitted a petition to adjust SCRC rates effective
3 February 1, 2021 and pre-filed testimony supporting the preliminary rate calculations
4 with the intention of filing updated rate calculations prior to the hearing scheduled on
5 January 21, 2021. The purpose of this testimony is to: (1) provide an update to the
6 December 17, 2020 filing; and (2) to seek the necessary approvals to set the updated
7 average SCRC rates, including the (i) Regional Greenhouse Gas Initiative (“RGGI”)
8 refund, (ii) Ch. 340, (iii) Environmental Remediation and (iv) Net Metering adders, that
9 will take effect February 1, 2021. With the intent of reducing the potential for
10 confusion, Eversource is providing this update through testimony noting the changes
11 from the currently existing rates, rather than changes from the December 17, 2020
12 preliminary filing.

13 **Q. Has the SCRC rate been calculated consistent with the August 1, 2020 SCRC rates**
14 **that were approved by Order No. 26,387 in Docket No. DE 20-095?**

15 A. Yes, the updated February 1, 2021 SCRC rates have been prepared consistent with the
16 last approved SCRC rates.

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

19 A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F
20 and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549, defined

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

16 Additionally, as noted above, the SCRC rate proposed to be billed to customers
17 beginning February 1, 2021 includes recovery of the following adders: (i) the RGGI
18 refund as required by RSA 125-O:23, II and Order No. 25,664 (May 9, 2014), directing
19 Eversource to rebate RGGI auction revenue it receives through the SCRC rate; (ii) Ch.
20 340 excess Burgess PPA payments per the Docket No. DE 19-142 settlement agreement
21 and Order No. 26,331 (February 18, 2020); (iii) amortization of environmental

1 remediation costs per the Docket No. DE 19-057 settlement agreement and Order No.
2 26,433 (December 15, 2020), and; (iv) Net Metering Costs per the Docket No. DE 20-
3 136 settlement agreement, which is pending before the Commission.

4 **Q. Is Eversource currently proposing a specific SCRC rate and separate adders as**
5 **noted above at this time?**

6 A. Yes, it is. Attachment ELM-1 and Attachment ELM-2 provide rate class specific updated
7 rate calculations for the SCRC proposed for February 1, 2021 that reflect changes to the
8 preliminary filing attributable to various factors primarily related to the forecasted
9 over/(under)-market cost associated with the ongoing non-wood IPPs; Burgess PPA and
10 Lempster over/under-market costs; updated class specific RRB charges filed on January
11 6, 2021; and any additional 2020 actual data available at that time. The updated February
12 1, 2021 average SCRC rates (Part 1 and Part 2 only, excludes the Ch. 340, RGGI refund,
13 Environmental Remediation and Net Metering adder amounts) provided in this filing are
14 shown in the table below.

Rate Class	Current Rate (cents/kWh)	Proposed Rate (cents/kWh)
Rate R	0.498	1.103
Rate G	0.407	1.148
Rate GV	0.334	0.917
Rate LG	0.091	0.349
Rate OL/EOL	0.470	1.648

15
16 The SCRC rate adders are calculated in Attachment ELM-3 and ELM-4 (RGGI Refund),
17 ELM-5 and ELM-6 (Ch. 340), ELM-7 (Environmental Remediation), ELM-8 and ELM-9

1 (Net Metering). The updated February 1, 2021 SCRC rate adders provided in this filing
2 are shown in the table below.

Rate Adder	Current Rate (cents/kWh)	Proposed Rate (cents/kWh)
Ch. 340	0.607	0.266
RGGI Refund	(0.130)	(0.198)
Environmental Remediation	N/A	0.049
Net Metering	N/A	0.211
Total Adders	0.477	0.328

3
4 The total average February 1, 2021 SCRC by rate class provided in this filing are
5 included below.

Rate Class	Current Rate (cents/kwh)	Preliminary Rate (cents/kwh)
R	0.975	1.431
G	0.884	1.476
GV	0.811	1.245
LG	0.568	0.677
OL/EOL	0.947	1.976

6
7 The Environmental Remediation adder rate calculation is a new rate calculated consistent
8 with the terms outlined in Section 7.1 of the Company's settlement agreement in Docket
9 No. DE 19-057 and approved in Order No. 26,433 at 14 issued on December 15, 2020.

10 The Net Metering adder rate calculation is a new rate adder calculated consistent with the
11 settlement agreement filed in Docket No. DE 20-136. The proposed rate treatment is
12 consistent with the directives of the Commission's Order No. 26,387 at 6, issued on July
13 31, 2020 that disallowed recovery of Net Metering costs through the SCRC until the

1 Commission could review and determine the appropriate recovery mechanism and rate
2 treatment of those costs in a new docket opened subsequent to that Order.

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

5 A. As part of the settlement agreement approved in Docket No. DE 14-238 at Line 252 of
6 Section III.A, the SCRC revenue requirement is to be allocated to each rate class as
7 follows: 5.75% to Rate LG, 20.00% to Rate GV, 25.00% to Rate G, 48.75% to Rate R,
8 and 0.50% to Rate OL. Applying this differing allocation by rate class means that there
9 can no longer be a single average SCRC rate for all customers. Page 1 of Attachment
10 ELM-1 provides the rate class specific average SCRC rates including and excluding the
11 RGGI refund, Ch. 340, Environmental Remediation and Net Metering adders.

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

14 A. The increase in the updated SCRC rates proposed for effect on February 1, 2021 as
15 compared to the current rates is due primarily to: (i) a decrease in Part 1 Costs of \$8.6
16 million; (ii) an increase in Part 2 Above Market IPP and PPA costs of \$6.4 million; (iii) a
17 one-time increase of \$12.0 million in Part 2 Generation Costs not securitized to be
18 recovered over one year per the terms of the settlement agreement filed in the Generation
19 Divestiture docket, Docket No. DE 20-005 and approved by the Commission in Order
20 No. 26,434, and (iv) an increase due to the change in prior period (over)/under recovery

1 amount of \$19.8 million. The table below provides additional detail identifying the
2 variance from the underlying cost in the rates that were approved for August 1, 2020 and
3 this proposed February 1, 2021 rate filing.

Description	(\$000s)		
	Approved August 1, 2020 Rates	Updated February 1, 2021 Rates	Inc/(Dec)
Part 1 Costs	64,615	55,972	(8,643)
Part 2 Costs:			
Amortization and Return on IPP Buydowns/Buyouts	530	-	(530)
Above Market Non-Wood IPPs	343	2,802	2,460
Above Market Cost of Burgess	16,848	21,568	4,720
Above Market Cost of Lempster	1,788	1,054	(734)
Total Above Market IPP & PPA Costs	18,979	25,424	6,445
Energy Service REC Revenues Transfer	(12,584)	(12,591)	(7)
REC Sales Proceeds/RPS True-up	(2,061)	-	2,061
ISO-NE/Other O&M	97	-	(97)
Residual Generation O&M	(1,954)	-	1,954
Seabrook Costs/Credits	(1,017)	-	1,017
EDIT	(5,767)	(5,779)	(12)
Generation Divestiture Costs not Securitized	-	12,007	12,007
Return	(1,122)	(725)	397
Total Part 2 SCRC Costs	(4,900)	18,337	23,237
1/31/21 (Over)/Under Recovery	(20,674)	(845)	19,829
Total Part 1 and 2 Costs plus 1/31/20 (Over)/Under Recovery	39,041	73,464	34,422

4

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 the February 2021 to January 2022 forecast period's cost information related to the Part 1
7 and Part 2 costs. Page 3 provides the estimated rate class specific RRB charges that were
8 calculated using the RRB rates in effect for August 1, 2020 and updated for February 1,
9 2021. Page 4 has been provided to reconcile the amount of funds that are collected
10 through the RRB charge by its inclusion in the SCRC with the amount of funds that are in
11 the Collection and Excess Funds trust accounts. It is important to note that customers are
12 not directly paying the principal, interest and fees associated with the RRBs in the SCRC
13 rate calculation. Instead, customers are paying an RRB charge as part of the overall
14 SCRC rate that results in remittances to the RRB trust that are used to satisfy the
15 principal, interest and fees of the RRBs. The RRB charge is calculated to satisfy the
16 principal, interest and fees of the RRBs using the forecasted sales. Page 5 provides
17 detailed cost information by month related to the Part 2 ongoing costs, and summary
18 information for the Burgess and Lempster contracts as well as cost and actual revenues
19 associated with the purchases of RECs from these contracts and the transfer of REC
20 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 provides additional
22 details related to the Burgess and Lempster contracts as well as the cost associated with

1 the RECs purchased under these contracts and the transfer of revenues between the
2 SCRC and the ES rates. Page 7 has been added to provide the details regarding the return
3 calculation. Attachment ELM-2, pages 1 through 7 provide the projected detailed cost,
4 revenue and carrying charge components relating to the SCRC reconciliation for the 12
5 months ended January 31, 2021.

6 **Q. How are the February 1, 2021 SCRC Part 1 Costs calculated?**

7 A. The Part 1 SCRC actual costs are shown in Attachment ELM-2, Page 3 and forecasted
8 costs are shown in Attachment ELM-1, Page 3. In the months that have been estimated
9 for this filing, the forecasted Part 1 SCRC costs are calculated using the RRB rates
10 established in the latest Routine True-up Letter dated January 6, 2021 in Docket No. DE
11 17-096 multiplied by the forecasted sales for each rate class. Since there is a one-month
12 lag in the RRB remittance process, the forecasted sales are also reported on a one-month
13 lag on Attachment ELM-1, Page 3. These estimates represent a reasonable estimate of the
14 expected RRB charge remittances.

15 **Q. Have the RRB rates shown in the January 6, 2021 RRB True-Up letter been**
16 **reflected in the updated February 1, 2021 SCRC rate filing?**

17 A. Yes. The Annual Routine True-up Letter was filed on January 6, 2021. Consistent with
18 that filing, the Part 1 costs have been updated to reflect the updated RRB rates and
19 applied to the kWh sales forecast used throughout the SCRC rate by class to calculate the

1 revenue required to apply to the Part 1 costs. Variances between estimated and actual
2 revenue received from Part 1 costs will be reconciled in the August 1, 2021 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-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. This line represents
14 the net cost of the Burgess PPA. Additionally, provided in Attachment ELM-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. This line represents
19 the net cost of the Lempster PPA. Additionally, provided in Attachment ELM-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 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) Seabrook Costs and Credits: Charges and credits related to Seabrook
4 Power Contracts between Eversource and North Atlantic Energy Company
5 (NAEC).

6 9. (Line 14) Excess Deferred Income Taxes (EDIT): At the beginning of 2018, the
7 Federal and State tax rates changed which resulted in EDIT. That excess is to be
8 refunded to customers.

9 10. (Line 15) Generation Divestiture Costs not Securitized: Divestiture costs not
10 securitized that were subject to audit and settlement in Docket No. DE 20-005.
11 Per the settlement agreement and Order No. 26,434, a one-time amount of \$12
12 million is to be recovered over a one-year period.

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

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

17 1. (Lines 3 through 6): Non-Wood IPPs: All costs and market revenues associated
18 with the existing IPPs. Prior to divestiture, any benefit of below-market energy or
19 capacity associated with the IPPs was included in the ES rate, while the above-
20 market portion was included in the SCRC. Consistent with the settlement in

1 Docket No. DE 14-238, all IPP costs and revenues, whether above or below
2 market, are included in the SCRC.

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

21 The REC amounts purchased from these sources may more than
22 meet energy service obligation quantities, eliminating the need for
23 Class I purchases. Since the 2015 Agreement calls for the costs of

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

7 5. (Line 10): REC Sales Proceeds: As Class I RECs in excess of those necessary to
8 satisfy the Energy Service Class I REC requirement are sold, the proceeds
9 associated with the sales will be included in actual data.

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

13 7. (Line 12) Residual Generation O&M: The ongoing costs and liabilities associated
14 with the divested Generation assets. These include property tax refunds, pension
15 credits, commitments associated with the hydro plants, and legal fees associated
16 with lawsuits related to the Generation assets when they were owned by
17 Eversource.

18 8. (Line 13) Seabrook Costs and Credits: Charges and credits related to Seabrook
19 Power contracts between Eversource and North Atlantic Energy Company
20 (NAEC).

21 9. (Line 14) Excess Deferred Income Taxes (EDIT): At the beginning of 2018, the
22 Federal and State tax rates changed which resulted in EDIT. That excess is to be
23 refunded to customers.

1 10. (Line 15) Generation Divestiture Costs not Securitized: Divestiture costs not
2 securitized that were subject to audit and settlement in Docket No. DE 20-005.
3 Per the settlement agreement and Order No. 26,434, a one-time amount of \$12
4 million is to be recovered over a one-year period.

5 **RGGI Refund**

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

8 A. In Order No. 25,664 in Docket No. DE 14-048, and pursuant to RSA 125-O:23, II, the
9 Commission ordered that certain proceeds from the quarterly RGGI auctions be rebated
10 to Eversource's customers through the SCRC. Attachment ELM-3, page 1, and
11 Attachment ELM-4, page 1 provide a summary of 2021 and 2020 information related to
12 RGGI auctions and the amounts allocated to Eversource for refund.

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

14 A. Yes, it is. Attachment ELM-3, page 1 provides a proposed rate calculation. The updated
15 February 1, 2021 RGGI refund rate provided in this filing is negative 0.198 cents/kWh
16 and is 0.068 cents/kWh higher than the current August 1, 2020 RGGI refund rate of
17 negative 0.130 cents/kWh.

1 **Ch. 340 Adder**

2 **Q. Could you please provide additional details for the Ch. 340 Adder costs included on**
3 **page 2 of Attachment ELM-6?**

4 A. As described earlier, in Docket No. DE 19-142, a Joint Motion was filed related to the
5 rate recovery of costs associated with the Cumulative Reduction Factor (CRF) under the
6 PPA with Burgess BioPower. Broadly speaking, under the terms of the PPA, any
7 amounts in the CRF above \$100 million were to be deducted from the amounts paid to
8 Burgess for purchases under the PPA. At the end of operating year six, the CRF amount
9 was \$106,976,603 or \$6,976,603 above the limit set by the PPA. That amount was
10 reduced by the Excess MWh adjustment called for in the PPA of \$1,709,925 which was
11 deducted from the amounts paid to Burgess during the first three months of operating
12 year seven (December 2019 through February 2020). The Excess MWh adjustment is not
13 specifically associated with the Amended PPA and the Ch. 340 Adder and, therefore,
14 remains in Part 2 SCRC costs. Therefore, the \$6,976,603 was reduced to \$5,266,678
15 (\$6,976,603 - \$1,709,925) that would have been deducted from the amounts paid to
16 Burgess during operating year 7 (December 2019 through November 2020). Of that
17 amount, \$4,388,898 is shown in Attachment ELM-6, page 2, line 2, for February and
18 March 2020.

19 It was also agreed in Docket No. DE 19-142 that the forecasted over-cap costs for
20 Burgess should be recovered in current rates rather than waiting until the end of the
21 operating year and recovering in the following year. The calculation of Burgess over

1 market costs per the PPA is shown in Attachments ELM-1 and ELM-2, Page 6, lines 7 to
2 11. The Burgess over market energy costs are then recovered in the Ch. 340 Adder rate as
3 shown in Attachments ELM-5 and ELM-6. Since these are forecasted costs and revenues
4 and rely on assumptions of Burgess energy output and market prices as well as forecasted
5 retail MWh sales, the Ch. 340 adder costs are reconciled in this and future SCRC rate
6 filings.

7 Under the terms of the settlement agreement in Docket No. DE 19-142, rather than being
8 deducted from the amounts paid to Burgess, the excess is recovered from customers
9 through the SCRC on an equal cents per kWh basis rather than the specified class
10 percentages. This is shown in the Ch. 340 Adder calculations in Attachment ELM-5. The
11 proposed Ch. 340 Adder rate effective February 1, 2021 is 0.266 cents/kWh as compared
12 to the current rate of 0.607 cents/kWh. Attachment ELM-5, page 1, provides a summary
13 of the rate calculations and Attachments ELM-5 and ELM-6, page 2, provide the monthly
14 detail for the Burgess energy costs and revenues. But for the impact of SB 577, the
15 amounts over the cumulative reduction cap would have been refunded to customers. The
16 concurrent recovery of the over market Burgess energy costs is removed from Part 2
17 SCRC cost and transferred for recovery through the Ch. 340 Adder. The over market
18 energy costs are calculated based on the market rates as defined in the PPA. There is a
19 slight difference between the over market energy costs per the PPA and ISO-NE
20 revenues. The difference remains in the Part 2 SCRC costs. This is shown in Attachments
21 ELM-1 and ELM-2, Page 6, line 6.

1 **Environmental Remediation Adder**

2 **Q. Please describe the detailed support for the calculation of the Environmental**
3 **Remediation Cost Adder rate provided in Attachment ELM-7.**

4 A. Per the Commission's Order No. 26,433 issued on December 15, 2020 approving the
5 settlement agreement in Docket No. DE 19-057, to comply with the intent of Section 7.1
6 of the settlement agreement, the Company has prepared Attachment ELM-7 to recover
7 the Environmental Remediation Costs through the SCRC. Section 7.1 of the settlement
8 agreement states the following:

9 Since the time of restructuring, PSNH has been permitted to defer estimated
10 environmental remediation/manufactured gas plant ("MGP") costs primarily
11 relating to former generation sites. The Company shall be allowed to recover the
12 environmental reserve/MGP liability in the Stranded Cost Recovery Charge
13 ("SCRC") rate at equal cents per kWh across customer classes rather than in
14 distribution rates. To address the shift to the SCRC, the Company has removed an
15 annual amortization of \$2.3 million over four years as of December 31, 2018 from
16 its proposed revenue requirement in this case and shall include it in the SCRC filing
17 following approval of this Settlement Agreement. The amounts to be recovered in
18 the SCRC shall be updated to reflect the actual deferred balance as of the time of
19 the SCRC filing and be amortized over a four-year period. Future environmental
20 costs shall be recovered on a current basis through the SCRC.

21 As noted above, the Company has removed from the base Distribution revenue
22 requirement an annual amortization amount of approximately \$2.3 million based on the
23 Docket No. DE 19-057 test year-end Regulatory Asset balance. Consistent with the
24 Commission's approval of the settlement agreement in Order No. 26,433, Attachment
25 ELM-7, Page 2, Footnote (A) reflects the estimated Environmental Remediation
26 Regulatory Asset balance at January 31, 2021 of approximately \$12.2 million to be
27 recovered over four years, or an annual amortization amount of approximately \$3.0

1 million. Attachment ELM-7 reflects the proposed preliminary average Environmental
2 Remediation Cost Adder rate of 0.049 cents-per-kilowatthour effective February 1, 2021.

3 **Net Metering Cost Adder**

4 **Q. Please describe the detailed support for the calculation of the Net Metering Cost**
5 **Adder rate provided in Attachments ELM-8 and ELM-9.**

6 A. In Order No. 26,387 (July 31, 2020) at 6 in Docket No. DE 20-095, the Commission
7 found the transfer of Net Metering Costs to the SCRC from Energy Service had not been
8 sufficiently developed either factually or legally to allow Eversource to recover net
9 metering costs through the SCRC mechanism. In addition, the Commission directed a
10 new docket be opened to review and determine the appropriate recovery mechanism and
11 rate treatment for Eversource's net metering costs and group host costs.

12 Consistent with the Commission's directive, Docket No. DE 20-136 was opened to
13 review and determine the appropriate recovery mechanism and rate treatment for net
14 metering and group host costs. Based on a number of technical sessions and Company
15 presentations, the parties filed a settlement agreement that proposes the recovery of net
16 metering and group host costs through the SCRC mechanism. Attachments ELM-8 and
17 ELM-9 reflect the proposed average Net Metering Cost Adder rate of 0.211 cents-per-
18 kilowatthour effective February 1, 2021, consistent with the pending settlement
19 agreement.

1 **Q. Did the Company include Accumulated Deferred Income Taxes (ADIT) in its**
2 **calculation of carrying charges as part of this filing?**

3 A. Yes and no. Order No. 26,368 issued on June 18, 2020 at 7 as part of the Energy Service
4 filing, discussed the inclusion of ADIT in the calculation of the carrying charge. In that
5 Order the Commission directed “Staff to conduct an inquiry into the accounting issues
6 raised and to recommend whether an adjustment is required in Eversource’s next energy
7 service filing”. Order No. 26,368 at 7.

8 On November 30, 2020 the Company and Staff discussed and reviewed the accounting
9 issues related to ADIT and whether it was appropriate to include ADIT in the calculation
10 of carrying charges as part of the Energy Service filing. The Company and Staff agreed
11 that the adjustment to exclude ADIT should be removed from the calculation of carrying
12 charges on the over or under recovery associated with the Energy Service rate
13 components. As part of that discussion, there was also an agreement that this
14 recommendation would carry forward into the calculation of carrying charges for the
15 SCRC and TCAM rates. Accordingly, while the ADIT adjustment remains in this filing
16 for the period ending January 31, 2021, it has been removed beginning February 1, 2021,
17 consistent with the rate period that is subject of this docket.

18 **Q. What is the purpose of including ADIT in the calculation of carrying charges**
19 **related to the SCRC rate?**

20 A. In prior years’ filings regarding ES and stranded costs, the filings included costs
21 associated with the Company’s ownership of generation assets and the rate base

1 associated with those assets. As part of the rate calculations for the ES and SCRC rates,
2 ADIT was included in the calculations of carrying charges in those rates to account for
3 the timing differences between the collection of funds for payment of taxes and the actual
4 payment of those taxes. However, given that the Company has divested its generation
5 assets and eliminated any related rate base treatment of those assets, the need to include
6 ADIT in the calculation of carrying charges is not as necessary since the timing
7 difference related to the over or under recovery is only short-term.

8 **Q. Has the Company included rate exhibits and calculations of the customer bill**
9 **impacts for the proposed February 1, 2021 SCRC rate change?**

10 A. Yes, this detail is provided in Attachment ELM-10.

- 11 • Page 1 compares the current SCRC rates in effect to the SCRC rates proposed for
12 effect February 1, 2021 by rate class.
- 13 • Page 2 provides the rate adjustment factor and SCRC rates by rate class for the
14 current and proposed SCRC rates, including and excluding the RGGI refund.
- 15 • Page 3 provides the calculation of the SCRC rate adjustment factors by rate
16 classification for the proposed average SCRC rates and RGGI refund.
- 17 • Page 4 provides a comparison of residential rates proposed for effect February 1,
18 2021 to current rates effective August 1, 2020 for a 550 kWh monthly bill, a 600
19 kWh monthly bill, and a 650 kWh monthly bill.

- 1 • Page 5 provides a comparison of residential rates proposed for effect February 1,
2 2021 to rates effective February 1, 2020 for a 550 kWh monthly bill, a 600 kWh
3 monthly bill, and a 650 kWh monthly bill.
- 4 • Page 6 provides the average impact of each change on bills for all rate classes by
5 rate component on a total bill basis, excluding energy service.
- 6 • Page 7 provides the average impact of each change on bills for all rate classes by
7 rate component on a total bill basis, including energy service.

8 The rate impacts provided in Attachment ELM-10 incorporate changes in the Distribution
9 rates reflecting the permanent rates approved in Order No. 26,433 in Docket No. DE 19-
10 057, the 2019 Step Adjustment revenue requirement approved in Order No. 26,439 in
11 Docket No. DE 19-057, the Energy Service rate reflecting rate changes approved in
12 Order No. 26,438 in Docket No. DE 20-054 for effect on February 1, 2021, and the
13 SCRC rate changes proposed in this filing.

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

15 A. Yes. Updated tariff pages are provided in Attachment ELM-11.

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, Ch. 340, RGGI refund,
19 Environmental Remediation and Net Metering Cost rates by January 25, 2021, to
20 implement the new rates for service rendered on and after February 1, 2021.

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

2 A. Yes, it does.