

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 20-136**

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

**Recovery Mechanism and Rate Treatment for Net Metering and Group Host Costs**

**Order Approving Settlement Agreement**

**ORDER NO. 26,450**

**January 29, 2021**

**APPEARANCES:** Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; Kelly Buchanan, on behalf of Clean Energy New Hampshire; the Office of the Consumer Advocate, by Donald Kreis, Esq., on behalf of residential customers; and David K. Wiesner, Esq., on behalf of Commission Staff.

In this order, the Commission approves a settlement agreement providing for Eversource Energy's recovery of net metering and group host costs through its stranded cost recovery charge, rather than through its energy service rate, on an equal cents per kilowatt-hour basis with corresponding offsets for any wholesale market revenue attributable to net metered facilities.

**I. PROCEDURAL HISTORY**

The Commission opened this proceeding to determine the appropriate recovery mechanism and rate treatment for net metering and group host costs incurred by Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource). In Order No. 26,387, the Commission rejected Eversource's proposal to recover those costs through its stranded cost recovery charge (SCRC), rather than through its energy service rates, finding that the issue had not been sufficiently developed, either factually or legally, to approve Eversource's recovery of those costs through the SCRC.

The Order of Notice in this docket stated that the relevant issues include the question whether Eversource's proposed recovery of net metering costs and group host costs through the SCRC mechanism is proper and will result in rates that are just and reasonable, as required by RSA 374:2, and by RSA 378:5 and 7, or if there is a more appropriate recovery mechanism and rate treatment for those costs.

A remote prehearing conference was held on September 24, 2020. The Office of the Consumer Advocate (OCA) participated in the proceeding, as did Clean Energy New Hampshire (CENH), which filed an unopposed petition to intervene that was granted during the hearing held on January 20, 2021. Following a series of technical sessions, a settlement agreement executed by Eversource, CENH, the OCA, and Commission Staff (Staff) was filed on December 15, 2020. A remote hearing on the merits of the proposed settlement was held on January 20, 2021.

The Order of Notice, Settlement Agreement, and other docket filings, except any information for which confidential treatment is requested of or granted by the Commission, are posted at: <https://www.puc.nh.gov/Regulatory/Docketbk/2020/20-136.html>.

## **II. SETTLEMENT AGREEMENT**

The Settlement Agreement executed by the parties and Staff (collectively, the Settling Parties) is intended to resolve all of the issues in this proceeding, based on the Settling Parties' evaluation of the relevant net metering and group host costs, the method for their calculation, the accounting of the various related costs as recoverable expenses, and the appropriate cost recovery method and rate structure.

The Settling Parties agreed that Eversource will continue to use the same calculation method for determining those costs under the standard and alternative net metering tariffs as it has previously used. That calculation and accounting methodology is described in Attachment 1 to the Settlement Agreement, which also included illustrative examples in Attachment 2.

Eversource may recover those costs calculated and accounted for as expenses through an adder to the SCRC rather than through the energy service rate or other mechanism, beginning with its next SCRC rate calculation proposed for effect on February 1, 2021.

The Settlement Agreement provides that Eversource's net metering and group host costs will be included as an adder in the SCRC on an equal cents per kilowatt-hour (kWh) basis. This differs from the allocation levels specified in the 2015 PSNH Restructuring and Rate Stabilization Agreement (the 2015 Restructuring Agreement). To the extent that wholesale market revenue is received attributable to registration of net-metered facilities with ISO New England as settlement-only generators or attributable to net-metered facilities through any other mechanisms or arrangements, such revenue will also be included in the SCRC on an equal cents per kWh basis. Any net metering and group host costs included as recoverable expenses in the SCRC will be subject to a carrying charge interest rate. That interest rate is based on the prime rate of interest and not the higher rate of interest contemplated under the 2015 Restructuring Agreement.

A paragraph included in Attachment 1 to the Settlement Agreement clarifies that use of the terms "purchases," "sales," "costs," or "expenses" represents a characterization of the specific accounting treatment described. Use of such a term is not intended to define or limit the interpretation of any relevant compensation, payments, credits, transactions, or other accounting treatment in any other context or for any other purpose.

### **III. POSITIONS OF THE PARTIES AND STAFF**

#### **A. Eversource**

Eversource expressed support for the proposed settlement terms, noting its conclusion that net metering and group host costs are more appropriately recovered through the SCRC than through its energy service rate or other rate recovery mechanism. Eversource recounted the

history of its recovery of those costs and its recent efforts to shift them from the energy service rate to the SCRC. According to Eversource, costs related to its “purchases” of excess electricity output from net-metered facilities are made under RSA 362-A, and are similar to energy purchases from qualifying facilities (QFs), the costs of which are properly recovered from all customers rather than just the subset of customers that take default energy service. Eversource maintained that cost recovery is consistent with the provisions of the approved 2015 Restructuring Agreement, which defined the purpose and scope of the SCRC.

Eversource further asserted that it does not “purchase” net-metered energy to use as part of a managed portfolio of energy sources to serve its default service customers. Instead, the net-metered energy exported to its system, while not being used directly to serve customer load, effectively offsets some load just by its existence and that offset reduces what is required to serve default service customers. Eversource argued that it is consistent with competitive market principles to include the net metering and group host costs in the SCRC, as that would remove costs it is mandated to incur from the energy service rate, which is a rate reflective of the competitive marketplace. Eversource argued that having the costs recovered from default service customers alone does not make sense, is unfair to those customers, and may meaningfully distort the energy service rate. According to Eversource, those costs should not be recovered through the energy service rate, but rather from all customers, with the SCRC being the most appropriate means to recover the costs.

With respect to the statutory parameters for recovery of “stranded costs,” Eversource noted the provision of RSA 374-F:2, IV (c) that references “new mandated commitments as approved by the Commission” and characterized net metering and group host costs as examples of such new mandated commitments. Eversource further cited RSA 374-F:3, XII (b), which states that utilities should be allowed “to recover the net nonmitigatable stranded costs associated

with required environmental mandates currently approved for cost recovery, and power acquisitions mandated by federal statutes or RSA 362-A.” According to Eversource, it incurs net metering and group host costs under the net metering statute, RSA 362-A:9, and therefore its “purchases” of net-metered electricity create costs the recovery of which is expressly contemplated by the electric restructuring statute.

Eversource asserted there is no reason to approve the proposed cost recovery mechanism for net metering and group host costs on a temporary or conditional basis, in order to consider different cost mitigation strategies or for any other reason.

#### **B. Office of the Consumer Advocate**

The OCA stated its support for the Settlement Agreement, emphasizing in particular the shift in cost recovery from the energy service rate to the SCRC and the recovery of the costs on an equal cents per kWh basis. According to the OCA, those changes would benefit the residential customers whose interests it represents before the Commission. The OCA asserted that the net metering and group host costs are properly considered to fall within the scope of “stranded costs,” as defined in RSA 374-F:2, IV, because they represent “new mandated commitments approved by the Commission.” The OCA argued it is therefore appropriate that those costs be recovered from all Eversource customers through the SCRC.

#### **C. CENH**

At hearing, CENH’s representative confirmed its support for the provisions of the Settlement Agreement as filed.

#### **D. Staff**

Staff confirmed its support for the provisions of the Settlement Agreement, noting its agreement that Eversource’s current accounting and calculation methods for determining recoverable net metering and group host costs are reasonable and appropriate for both the

standard net metering tariff and the current alternative net metering tariff. According to Staff, recovery of those costs through the SCRC, rather than through the energy service rate or another mechanism, makes sense because the costs will be recovered on an equal cents per kWh basis from all customers, including those who net meter under the current alternative net metering tariff, because the SCRC is a nonbypassable charge.

Staff endorsed the proposal that wholesale market revenue received attributable both to registration of net metered facilities with ISO New England as settlement-only generators, and to net metered facilities through other mechanisms or arrangements, be included in the SCRC. Staff also endorsed including those revenues on an equal cents per kWh basis to mitigate the costs to be recovered from customers. Staff supported the proposal that net metering and group host costs included as recoverable expenses in the SCRC be subject to a carrying charge. Staff also favored an interest rate based on the prime rate of interest rather than the higher interest rate under the 2015 Restructuring Agreement. According to Staff, the prime rate is applied in the Eversource energy service rate calculations, so using that rate for recovery of net metering-related costs through the SCRC means customers will not be disadvantaged by the shift in collection of those costs from one component of Eversource's rates to another.

Staff affirmed its conclusion that the terms of the Settlement Agreement are just, reasonable, and in the public interest.

#### **IV. COMMISSION ANALYSIS**

The Commission encourages parties to settle issues through negotiation and compromise because it is an opportunity for creative problem solving, allows the parties to reach a result in line with their expectations, and is often a better alternative to litigation. *Granite State Electric Co.*, Order No. 23,966 at 10 (May 8, 2002); *see* RSA 541-A:31, V(a) (“informal disposition may be made of any contested case ... by stipulation [or] agreed settlement”). Under RSA 541-A:31,

V(a), informal disposition may be made of any contested case at any time prior to the entry of a final decision or order, by stipulation, agreed settlement, consent order, or default. Under N.H. Admin. R., Puc 203.20(b), prior to approving disposition of a contested case by settlement, the Commission must determine that the settlement results are just and reasonable and serve the public interest. Even when all parties join a settlement agreement, the Commission cannot approve it without independently determining that the results comport with the applicable underlying standards. *EnergyNorth Natural Gas Inc. d/b/a National Grid NH*, Order No. 25,202 at 18 (March 10, 2011).

Here, the Settling Parties request approval of an adder to Eversource's existing SCRC to recover net metering and group host costs that are currently recovered through Eversource's Energy Service rate. As the Settlement Agreement pertains to Eversource's rates and charges, the underlying standard to be applied is whether the rates are just, reasonable, and lawful. *See* RSA 378:7. Additionally, RSA 362-A:9 *et seq.*, contains applicable standards relative to net metering and group hosting costs.

Pursuant to RSA 362-A:9, VII, the Commission shall determine a reconciliation mechanism to collect or credit the net effect of net metering on default energy service and distribution revenues and expenses. Pursuant to this authority, we evaluate the Settlement Agreement's proposed adder as such a mechanism for reconciliation. We conclude that it is lawful and appropriate to reconcile these costs and credits through the proposed adder because Eversource's SCRC is a nonbypassable charge that includes stranded costs pursuant to RSA 374-F and other nonbypassable charges and credits as established by Commission order. *See* 2015 Restructuring Agreement<sup>1</sup> at 8 (definition of SCRC includes "... other costs and

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<sup>1</sup> Accessible at: [https://www.puc.nh.gov/Regulatory/Docketbk/2014/14-238/TRANSCRIPTS-OFFICIAL%20EXHIBITS-CLERKS%20REPORT/14-238\\_2016-02-04\\_EXH\\_A.PDF](https://www.puc.nh.gov/Regulatory/Docketbk/2014/14-238/TRANSCRIPTS-OFFICIAL%20EXHIBITS-CLERKS%20REPORT/14-238_2016-02-04_EXH_A.PDF)

expenses ... as otherwise authorized by the Commission.”), approved by *Public Service Company of New Hampshire*, Order No. 25,920 (July 1, 2016); *see also*, *Electric Utilities and Competitive Electric Service Providers*, Order No. 25,664 at 3-4 (May 9, 2014) (directing Eversource to credit RGGI auction proceeds to the SCRC).

We find that the Settlement Agreement represents a just and reasonable treatment of net metering and group host costs and revenues. Recovery of net metering and group host costs through an SCRC adder is appropriate because it addresses these costs in a nondiscriminatory and nonbypassable manner. In addition, the current calculation and accounting methods are appropriate and would be continued. The net costs would be recovered on an equal cents per kWh basis, and the applicable carrying charge interest rate would be the same as has been applied to such costs under the prior rate recovery mechanism.

We note that paragraph C of the Settlement Agreement addresses a form of cost mitigation relating to wholesale market revenues attributable to registration of net metered facilities with ISO New England. Settlement Agreement at 2-3. We find it appropriate to further investigate the adequacy of Eversource’s cost mitigation efforts. We direct Staff to identify and evaluate additional cost mitigation strategies in the ongoing net metering docket, DE 16-576.

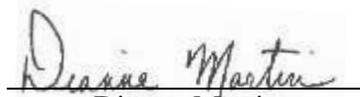
We have reviewed the issues in this proceeding, evaluated the appropriateness of the SCRC recovery mechanism and proposed rate treatment for Eversource’s net metering and group host costs, and considered the Settlement Agreement among the parties and Staff. Based on that review, evaluation, and consideration, we find that the provisions of the Settlement Agreement are just and reasonable and in the public interest.

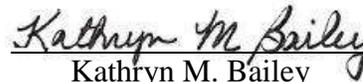
**Based upon the foregoing, it is hereby**

**ORDERED**, that the Settlement Agreement filed in this proceeding is **APPROVED**, and Eversource Energy is permitted to recover net metering and group host costs through an adder to

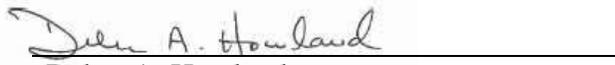
its Stranded Cost Recovery Charge, as provided pursuant to the terms of that Settlement Agreement.

By order of the Public Utilities Commission of New Hampshire this twenty-ninth day of January, 2021.

  
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Dianne Martin  
Chairwoman

  
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Kathryn M. Bailey  
Commissioner

Attested by:

  
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Debra A. Howland  
Executive Director

## Service List - Docket Related

Docket#: 20-136

Printed: 1/29/2021

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