

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 15-136

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

Petition for Change to Transmission Cost Adjustment Factor

Order Granting Petition

ORDER NO. 25,794

June 25, 2015

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; Office of Consumer Advocate by Susan W. Chamberlin, Esq., on behalf of residential ratepayers; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

This Order grants the request of Eversource to make an adjustment to its average TCAM rate effective with services rendered on and after July 1, 2015. The rate will change from 1.642 cents per kWh to 1.785 cents per kWh. This change, combined with changes to the Company's energy service, stranded cost adjustment charge and reliability program rates, all for effect July 1, 2015, will result in an overall decrease in monthly bills from \$118.33 to \$110.59 (a decrease of 6.5%) for the typical residential customer taking energy service from Eversource and using 625 kWh per month. For Eversource residential customers taking energy supply from a competitive supplier, the non-energy portion of the monthly bill will increase by approximately 4.1%.

I. PROCEDURAL BACKGROUND

On May 7, 2015, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or Company) filed a petition requesting approval of a new average transmission cost adjustment mechanism (TCAM) rate to be effective with services rendered on and after July 1,

2015. The Commission established the TCAM for the reconciliation and recovery of transmission expenses and revenues pursuant to a settlement agreement approved in Order No. 24,750 (May 25, 2007) in the Company's 2006 distribution rate proceeding. In the May 7 filing, Eversource stated that it did not have a calculation of the proposed rate, but expected the new rate to vary from the existing average TCAM rate of 1.642 cents per kilowatt hour (kWh). Eversource said that once complete information on wholesale transmission rates in effect on and after June 1, 2015, was available, the Company would file a proposed TCAM rate.

The Commission issued an Order of Notice on May 12, 2015. On May 14, 2015, the Office of Consumer Advocate (OCA) filed a notice of its participation in this docket on behalf of residential ratepayers pursuant to RSA 363:28. Eversource made its TCAM filing on June 11, 2015, with supporting testimony and related exhibits. In the filing, Eversource requested approval of a rate of 1.785 cents per kWh, an increase of approximately 9.2% over the current TCAM rate of 1.642 cents per kWh, to be effective with services rendered on and after July 1, 2015.

II. POSITIONS OF THE PARTIES

A. Eversource

Eversource testified that the TCAM allows the Company to fully recover certain defined Federal Energy Regulatory Commission (FERC) and/or Commission-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.

The Company's filing includes two groups of transmission costs. The first group consists of four categories of wholesale transmission costs that are regulated by FERC, and charged to Eversource by the Independent System Operator-New England (ISO-NE):

(1) regional network service (RNS) costs, (2) local network service (LNS) costs, (3) reliability costs, and (4) scheduling and dispatch costs.

RNS costs are based on FERC-approved tariffs, are related to the costs required to support the regional transmission infrastructure throughout New England, and are billed to all entities in the region that have RNS load responsibility based on the entity's monthly peak load. LNS costs encompass local transmission costs incurred by Eversource Energy that are not included in the FERC-jurisdictional RNS tariff. LNS billings are also governed by FERC-approved tariffs and are allocated to Eversource based on load ratio share calculated by using a rolling twelve-month coincident peak.

Reliability costs include Black Start capability and volts amps reactive (VAR) support costs. Black Start support consists of payments to certain generating units that have demonstrated their ability to be generators that can start and energize the electrical grid without themselves relying on the external electric power transmission network to begin operation. VAR support represents payment to generating units that have been deemed to be qualified resources that are capable of providing reactive power to maintain transmission voltages necessary for the operation of the New England transmission system. ISO-NE bills reliability costs to all entities in the region that have RNS load responsibility based on the entity's monthly peak load.

Scheduling and dispatch costs are associated with services provided by ISO-NE related to scheduling, system control, and dispatch services. These costs are also billed by ISO-NE to all entities that have RNS load responsibility based on their monthly peak load, in accordance with applicable FERC tariffs.

Eversource testified that the second group of costs recovered through the TCAM rate consists of Hydro-Quebec support costs and related revenues, and the TCAM working capital

allowance. Hydro-Quebec support costs are associated with FERC-approved contractual agreements between Eversource Energy (formerly Northeast Utilities) 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 in Canada. Under these agreements, Eversource is charged its proportionate share of operation and maintenance capital costs for a thirty-year period ending in 2020. Effective July 1, 2010, Eversource also began returning its share of any Hydro-Quebec facility revenues as a revenue credit in the calculation of the TCAM rate.

When the TCAM was first approved in Order No. 24,750, the rate did not include an allowance for working capital related to transmission, and the associated working capital was recovered through distribution rates. In Order No. 25,123 (June 28, 2010) in the Company's 2009 distribution rate case, the Commission approved the recovery of transmission-related working capital through the TCAM rate. Eversource calculates the TCAM working capital using a 45-day formula consistent with the Commission's Puc Part 1600 rules.

The TCAM allows the Company to set transmission rates for a defined future billing period (forecast period) based on transmission cost estimates, using current and forecast data that is supported by the latest known FERC-approved transmission rates and other budget data, most of which is provided by the ISO-NE. The TCAM also includes all available actual cost and revenue data for the 18-month period just prior to the forecast period. The reconciliation period contains as much actual cost data as is available at the time of the filing, and any over- or under-recoveries that are incurred in each billing period are rolled into the subsequent billing period as part of the next TCAM rate. The forecast period in this filing is the 12-month period July 2015

through June 2016, and the reconciliation period includes actual calendar year 2014 costs, actual January through April 2015 costs, and estimated costs for May and June 2015.

Eversource included approximately \$4.5 million in customer refunds in the calculation of the TCAM rates in the calculation of TCAM rates in this filing. The refunds consist of \$1.1 million in RNS refunds, \$0.4 million in LNS refunds, and approximately \$3 million in refunds related to disputes regarding the appropriate Return on Equity (ROE) for transmission projects.

The ROE refunds result from a FERC order in response to a complaint (Complaint 1) concerning the ROE for transmission projects. Beginning in 2011, three separate complaints were filed at FERC by combinations of New England State attorneys general, state regulatory commissions, consumer advocates, consumer groups, municipal parties and other parties (Complainants) seeking to reduce the allowed ROE on certain transmission investments.¹ In Complaint 1, filed in 2011, the Complainants alleged that the New England Transmission Owners' (NETOs) base ROE of 11.4% was unjust and unreasonable, asserting the rate was excessive due to changes in the capital market. Complaint 1 sought to reduce the ROE prospectively from the date of a final order from FERC and for the 15-month period October 1, 2011, to December 31, 2012. In 2014, FERC determined that the base ROE should be set at 10.57 percent for Complaint 1, and ordered the NETOs to provide refunds to customers for the first complaint refund period. Eversource received approximately \$3 million in refunds, including interest, and included the refund in the calculation of the average TCAM rate.

Eversource explained that it calculates the individual class TCAM rates according to the settlement agreement approved in Order No. 24,750. The settlement agreement describes the

¹ The Complainants also filed Complaint 2, and Complaint 3, seeking refunds for the 15-month periods beginning December 27, 2012 and July 31, 2014, respectively.

design of the transmission pricing for Backup Delivery Service Rate B specifically, and for all other customer classes in general. Eversource said that for Rate B customers, the settlement agreement provides that the transmission costs would be recovered through a demand charge. For purposes of the rate calculation, the demand charge would be divided into a base component and an incremental component. Using that rate design, transmission costs are first allocated to the Rate B customer class based on that class's contribution to the system peak demand. Once the ratio of average Rate B demands to average total Company demands at system peak is calculated, the Rate B base components revenue requirement for the forecast period is calculated by multiplying the demand ratio by the total transmission revenue requirement to determine the total base component requirement. Finally, the Rate B base rate is derived by dividing the total base component revenue requirement by the projected billing power demand projected to be needed to serve Rate B customers in the coming year. The result in this filing is a Rate B base component of 0.08 cents per kilowatt (kW) or kilovolt-ampere month. This rate represents a significant reduction in the Rate B base component revenue requirements based on the lower loads experienced by Rate B customers during the reconciliation period.

To calculate the incremental per kWh TCAM rate, Eversource uses the billing determinants such as kW or kWhs for the 2009 calendar year as performed in PSNH's 2009 distribution rate case. The forecasted TCAM rate is then multiplied by the test year megawatt-hour sales to produce the target transmission revenue for the test year. From that test year revenue requirement, PSNH subtracts the Rate B base component revenue. The result of the calculation is the amount to be recovered from all other customers.

Eversource attributed the increase in the average TCAM rate to RNS expense that is higher in the forecast period than in the current period, and to a lower prior year over-recovery in

the forecast period than in the current period. These factors were partially offset by a decrease in LNS expense and an increase in certain revenue credits in the forecast period as compared with the current period. Eversource requested that the Commission approve the average TCAM rate of 1.785 cents per kWh for effect with services rendered on and after July 1, 2015.

B. OCA

The OCA stated that it accepts the Company's calculation of the TCAM. The OCA said that any changes in the calculation of the rate could be reviewed at some point in the future.

C. Commission Staff

Staff said that the Company appropriately calculated the average TCAM rate. Staff continues to be concerned about the impact of the TCAM rate on customer bills.

III. COMMISSION ANALYSIS

We have reviewed the petition along with the supporting documentation and calculations and the other evidence in the record. We find that Eversource used the appropriate method to calculate the TCAM and associated rates for transmission expenses consistent with the terms of the settlement agreement approved in Order No. 24,750. Taking the evidence into consideration, we are satisfied that the transmission costs included in the filing are consistent with applicable FERC-approved tariffs, and that the resulting rates are just and reasonable pursuant to RSA 378:7. Therefore, we approve the Company's requested overall average TCAM rate of 1.785 cents per kWh effective with service rendered on and after July 1, 2015.

This is one of four dockets we are issuing orders in today for Eversource rates for effect with services rendered on and after July 1, 2015. The four dockets are: (1) the instant docket, to adjust the Company's average TCAM rate; (2) Docket No. DE 14-235, to adjust the Company's energy service rate; (3) Docket No. DE 14-236, to adjust the Company's average stranded cost


recovery charge rate; and (4) Docket No. 09-035, to adjust the rate recovering costs for the Company's reliability enhancement program. Overall, the average total bill impact of the four rate changes effective July 1, 2015, for residential customers using 625 kWh per month, the average monthly usage of Eversource customers who have not selected a competitive supplier, will be a decrease in monthly bills from \$118.33 to \$110.59, or 6.5%. Residential customers who take energy service from a competitive supplier will experience an increase of 4.1% in the non-energy portion of the bill. None of the four orders being issued today will have any effect on the energy portion of the bill for someone receiving energy from a competitive supplier.

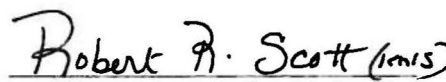
Based upon the foregoing, it is hereby

ORDERED, that the petition by Eversource for approval of an average transmission cost adjustment rate of 1.785 cents per kWh for effect with services rendered on and after July 1, 2015 is hereby APPROVED: and it is

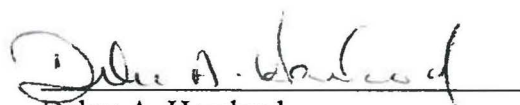
FURTHER ORDERED, that Eversource shall file conforming tariff pages within 20 days of the date of this Order pursuant to Part Puc 1603.

By order of the Public Utilities Commission of New Hampshire this twenty-fifth day of June, 2015.


Martin P. Honigberg
Chairman


Robert R. Scott
Commissioner

Attested by:


Debra A. Howland
Executive Director