

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 17-076

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

Request to Reconcile and Continue Expenditures for the Reliability Enhancement Program

**Order Approving Reconciliation and Adjustment to
Reliability Enhancement Program Expenses and Revenues**

ORDER NO. 26,034

June 28, 2017

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

In this Order, the Commission approves an average rate reduction of 0.086 cents per kWh effective July 1, 2017, to allow Eversource to reconcile the costs and revenues for Eversource's reliability enhancement program (REP) for the prior period, and to fund the program through December 31, 2017. In addition, the Commission approves changing the program year for Eversource's REP to an annual calendar year program effective January 1, 2018, instead of a program that runs from July 1 of one year to June 30 of the subsequent year. Finally, the Commission directs the Company to work with Staff and the OCA to develop a process for the review of the 2018 REP plan prior to commencement of the plan, and annual reporting for each compliance year.

This change, combined with changes to the Company's energy service, stranded cost recovery charge, and transmission cost adjustment factor rates, all for effect July 1, 2017, will result in an overall increase in monthly bills from \$122.15 to \$124.51, an increase of 1.9 percent, for a residential customer taking energy service from Eversource and using 600 kWh per month.

For Eversource residential customers taking service from a competitive supplier, the delivery portion of the monthly bill will decrease by approximately 1.1 percent.

I. PROCEDURAL HISTORY AND INITIAL POSITIONS OF THE PARTIES

On May 1, 2017, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed a motion to continue its reliability enhancement program for two years, through June 30, 2019. On May 1, 2017, the OCA filed a letter of participation pursuant to RSA 363:28.

The Commission initially authorized Eversource's REP as part of its 2006 distribution rate case in Docket No. DE 06-028. The purpose of the program is to provide targeted funding for enhanced capital and operation and maintenance (O&M) spending directed to improve the reliability of Eversource's distribution system. *See* Order No. 24,750 (May 25, 2007). The REP was updated and expanded through a settlement agreement in DE 09-035, the Company's 2009 distribution rate case. Pursuant to that settlement agreement, approved in Order No. 25,123 (June 28, 2010), Eversource developed and implemented specific projects and activities aimed at improving the reliability and resiliency of its distribution system. The targeted REP funding, pursuant to the settlement agreement, ended on June 30, 2015.

On June 10, 2015, Eversource and numerous other parties filed the "2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement" (2015 Agreement), a comprehensive settlement relating to a variety of issues concerning Eversource's divestiture of its existing electric generating fleet. The 2015 Agreement included a provision that provided for the continuation of the REP for two years, through June 30, 2017. The Commission granted Eversource's request to continue the REP program through June 30, 2016, in Order No. 25,793 (June 25, 2015), and approved the continuation of the program through

June 30, 2017, in Order No. 25,913 (June 28, 2016). In that order, the Commission directed Eversource to file an annual report of its REP activities and reconciliation of the revenues and expenses from July 1, 2015, through June 30, 2017. Eversource made the filing in this matter to comply with Order No. 25,913.

In its May 1 filing, Eversource proposed to continue certain surcharges to increase funding for its REP. The first surcharge, which recovers costs related to the expenses incurred by the Company to repair and restore power after the December 2008 ice storm, will be fully amortized as of June 2017. Eversource proposed to continue that surcharge and dedicate the funds to REP. The second surcharge is referred to as the “Medicare” surcharge. In March of 2010, the Health Care Reform Act was placed into law and terminated a Medicare subsidy credit to deferred tax expense. In March 2011, Eversource filed a request to amend its rates consistent with the exogenous events provision in the settlement agreement approved in Order No. 25,123, to account for the end of the Medicare credit. The Commission approved the rate adjustment and ordered that Eversource amortize the cost over 66 months in Order No. 25,238 (June 23, 2011). Those costs were fully amortized as of December 31, 2016. Eversource proposed to continue that surcharge, as well, to fund the REP. The third surcharge Eversource sought to continue was a surcharge related to recovery of expenses associated with a 2010 windstorm.

Staff filed its objection to Eversource’s motion to continue its REP on May 10, 2017. Staff made four general points. First, Staff said that it did not support a two-year REP plan for Eversource as proposed by the Company, and recommended that a revised filing be limited to the period July 1 through December 31, 2017. Second, Staff recommended that capital spending for the six-month period be limited to \$10 million and that Commission Audit Staff review Eversource’s capital investment for the two years from July 2015 through June 2017. Third,

regarding Eversource's proposal to increase funding of the REP through amortized surcharges, Staff recommended that those surcharges be ended as contemplated by the original Commission orders on those subjects. Fourth, Staff recommended that only REP activities, and not net metering or grid modernization activities, be funded by the REP.

The OCA made a responsive filing to Eversource's REP proposal, in which it largely agreed with Staff's comments. In addition, the OCA argued that Eversource's troubleshooter program should be fully audited and that Eversource should submit reliability reports on a circuit-level basis.

The Commission issued an Order of Notice on May 17, 2017. In the Order of Notice, the Commission directed Eversource to meet with Staff and the OCA to discuss their concerns. On June 2, 2017, Eversource filed a revised REP plan along with a technical statement and supporting exhibits. A merits hearing was held June 15, 2017.

II. EVERSOURCE'S REVISED PROPOSAL

The revised proposal describes a REP that would be effective for July through December 2017 at a funding level in line with the expectations of Staff and the OCA. In addition, through this filing, Eversource committed to working with Staff and the OCA to develop a calendar-year based REP that would be implemented on January 1, 2018.

At the hearing, Eversource testified that, based on its discussions with Staff and the OCA, Eversource had modified its capital and O&M plan and limited the plan to covering the period July 1 through December 31, 2017. The Company revised its REP capital plan for the time period to include a budget of \$10 million. Approximately \$2.7 million of that amount is to be directed to distribution automation, including pole top and substation automation, and another

\$3.9 million is to go toward improving the reliability of the overhead distribution system, including through circuit tie construction.

According to Eversource, trees continue to be the single greatest cause of outages on the distribution system. Therefore, the balance of the capital budget proposed for the remainder of 2017 is for vegetation management initiatives. That work includes enhanced tree trimming, hazard tree removal, and full width right-of-way clearing.

With respect to the O&M portion of the proposal, the revised budget maintains the funding of the Company's troubleshooter program. The budget, however, reduces the O&M portion of the capital from what was originally proposed. The revised O&M budget was calculated to fund the capital expenses identified in the revised plan.

Regarding the rate items identified by Staff, Eversource said that it revised its treatment of the various amortized surcharges consistent with Staff's recommendation. The net result of the decrease for the termination of the amortizations and the increase in distribution rates to fund the revised REP is a decrease in average distribution rates resulting in a 1.9 percent reduction in the Company's current average distribution rate. All else remaining unchanged, an average residential customer using 600 kWh per month would see a bill decrease of \$0.74 per month beginning July 1, 2017.

Eversource attested that the REP activities are important to its customers to assure reliability of its distribution system. The Company committed to working with Staff and the OCA to develop a calendar year program.

The OCA said that it supports the revised filing, while Staff stated that it did not object. Staff also recommended that Eversource incorporate the results of the Staff audit in its

reconciliation of REP expenses and revenues for the period July 2015 through June 2017, as the audit may require.

III. COMMISSION ANALYSIS

Based on the record before us, we approve Eversource's revised proposal to continue funding REP activities for the period through December 2017, and find that the resulting rates are just and reasonable. With the end of the surcharges related to changes to Medicare and severe storm cost recovery, customers using 600 kWh a month will see an average distribution rate decrease of \$0.74 cents per month, or a 1.9 percent decrease, in distribution rates.

We note that Staff and the OCA have some concerns about Eversource's REP based on their initial reaction to the filing. We are concerned that some of the reliability activities appear to be closely aligned with the type of normal O&M activities expected of any distribution utility. We direct Staff to review the troubleshooter program and to evaluate whether the Company has appropriately allocated the costs of troubleshooter activities. Staff should conduct this review in its development of the calendar-based REP with the Company and OCA.

Most importantly, we are troubled that the Company is having difficulty evaluating and establishing the efficacy of the REP. We expect the Company to be able to normalize the reporting of reliability metrics, taking into account major storms, to appropriately measure reliability results. We agree with Staff and the OCA that this is an opportunity to revisit the Company's REP plan and to assure that the money directed to the program actually improves reliability beyond what would be achieved by normal day-to-day utility work in the field.

This is one of four dockets in which we are issuing an order today that adjusts Eversource's rates effective on a service rendered basis on and after July 1, 2017. The four dockets are (1) the instant docket, to continue the reliability enhancement program;


(2) DE 16-822, to adjust Eversource's energy service rate; (3) DE 17-081, to adjust the average transmission cost adjustment mechanism rate; and (4) DE 16-823, a mid-year adjustment to the stranded cost recovery charge. Overall, the average total bill impact of the four rate changes for residential customers using 600 kWh per month who take supply service from Eversource is a 1.9 percent increase in monthly bills, from \$122.15 to \$124.51. Residential customers who take service from a competitive supplier will experience a 1.1 percent decrease in the non-energy portion of their bills. 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.

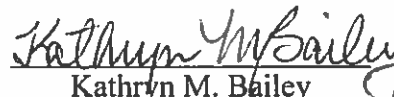
Based upon the foregoing, it is hereby

ORDERED, that the request for a 1.9 percent reduction in distribution rates to discontinue the amortized surcharges and recover costs associated with the Eversource REP is hereby **APPROVED**; and it is


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

By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of June, 2017.


Martin P. Honigberg
Chairman


Kathryn M. Bailey
Commissioner

Attested by:


Debra A. Howland
Executive Director