

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 17-150

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

Petition for Approval of Energy Service Rate for 2018

Order Approving Petition

ORDER NO. 26,089

December 27, 2017

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

In this order, the Commission approves Eversource's default energy service rate of 11.25 cents per kilowatt hour (kWh) for the three-month period from January 1 through March 31, 2018. This represents a decrease from the rate of 11.66 cents per kWh effective for the six-month period ending December 31, 2017.

This is one of three orders we are issuing today to change Eversource's rates effective on a service rendered basis on and after January 1, 2018. The three orders pertain to (1) the instant docket, to adjust the energy service charge; (2) Docket No. DE 17-151, to adjust the stranded cost recovery charge; and (3) Docket No. DE 17-160, to recover annual assessment and consulting costs. Overall, the average total monthly bill impact of the three rate changes for residential customers who take energy supply service from Eversource and use 600 kWh per month is a 0.7 percent decrease from \$124.50 to \$123.64. Residential customers using 600 kWh per month who take service from a competitive supplier will experience a 2.9 percent increase in

the delivery-service portion of their bills. None of the three orders being issued today will have any effect on the energy portion of the bill for those receiving energy from competitive suppliers.

I. PROCEDURAL HISTORY

Pursuant to RSA 369-B:3, IV (b)(1)(A), customers taking default energy service from Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) are billed an energy service rate equal to Eversource's actual, prudent, and reasonable costs of providing power, as approved by the Commission. Eversource's energy service rate is a fixed rate that, in the past, was in effect for a calendar year.

On October 2, 2017, Eversource filed a preliminary 2018 energy service rate of 10.50 cents per kWh that was calculated to be effective for the twelve-month period January 1 through December 31, 2018. In its updated filing of December 8, 2017, Eversource proposed an energy service rate for the three months beginning January 1, 2018, which is consistent with the settlement agreement filed recently in Docket No. DE 17-113. Based on the average of the monthly estimates for January, February, and March 2018, Eversource calculated a rate of 11.25 cents per kWh, an increase from the rate filed in October, but a decrease from the 11.66 cents per kWh rate currently in effect. In calculating the three-month energy service rate, Eversource included the 1.72 cents per kWh rate approved by the Commission in Order No. 25,854 (December 22, 2015) to recover costs associated with the wet flue gas desulphurization unit at Merrimack Station.

The Office of Consumer Advocate (OCA) filed a letter of participation on October 2, 2017, consistent with RSA 363:28.

The Commission issued an Order of Notice on October 11, 2017, scheduling a hearing for December 19, 2017. The petition and subsequent docket filings, other than any information

for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2017/17-150.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

The major components of Eversource's energy service costs are revenue requirements for owned generation assets, the cost of purchased power obligations, the fuel costs associated with Eversource's generation assets, the costs of supplemental energy and capacity purchases, certain ancillary services charges, and the costs of compliance with the New Hampshire Renewable Portfolio Standard (RPS) (RSA Chapter 362-F) and the Regional Greenhouse Gas Initiative (RGGI) (RSA 125-O:19 *et seq.*). The generation revenue requirement consists of non-fuel costs of generation, including non-fuel operation and maintenance costs, allocated administrative and general overhead costs, depreciation, property and payroll taxes, and a return on the net fossil and hydro investment.

Eversource includes Independent Power Producer (IPP) generation as a source of power to meet Eversource's load requirements. The IPP power costs are based on projected market costs for energy and capacity. Eversource explained that over-market costs of purchases from the IPPs are recovered through Part 2 of the stranded cost recovery charge (SCRC). As market prices change, the value of IPP purchases recovered through energy service rates changes. In addition, there is a corresponding change to the SCRC rate for the above-market value of IPP purchases. To properly match the recovery of IPP costs, in Docket No. DE 17-151 Eversource requested a change in the SCRC rate, also for effect on January 1, 2018.

As stated above, Eversource calculated an annual 2018 energy service rate of 10.50 cents in its October filing, as compared with its current energy service rate of 11.66 cents per kWh. In

its December update, Eversource provided actual expenses and revenues for September and October 2017, and the forecast of expenses and revenues for November and December 2017. The December update included an additional \$13.9 million in under-recovery. Eversource said the increase in under-recovery was due to an \$11.4 million increase in costs along with a \$2.5 million decrease in revenues. The increase in costs is a result of, among other things, increases in fossil energy costs and operation and maintenance expenses. The decrease in revenues is primarily due to the fact that actual sales in September and October were lower than forecasted.

In the past, Eversource has requested that the Commission approve an annual rate in its energy service filing. In its December update, however, Eversource requested approval of a three-month rate, consistent with the settlement agreement filed and heard in Docket No. DE 17-113.¹ For the three-month period January through March 2018, Eversource requested approval of an energy service rate of 11.25 cents per kWh, a reduction of 0.41 cents per kWh from the current rate of 11.66 cents per kWh. Eversource said its calculation was based on the Company's estimates of costs and revenues specifically related to the months of January, February, and March 2018. The Company included in its three-month calculation, recovery of \$5.4 million of the \$19.8 million under-recovery revenue from 2017, which is the allocated amount for forecasted kWh sales for the first three months of 2018.²

Eversource said its estimate of an energy service rate for the three-month period January through March 2018 represents the actual, prudent, and reasonable costs of providing power, is

¹ Docket No. DE 17-113 is a proceeding to change Eversource's procurement of energy supply to a competitive solicitation process following divestiture of its generation assets.

² For purposes of providing reference for the three-month rate, Eversource also calculated an annual rate for the twelve-month period from January through December 2018. Based on twelve months of data, Eversource estimated an annual rate of 11.07 cents per kWh for 2018.

just and reasonable, and is consistent with the settlement agreement in Docket No. DE 17-113.³ Eversource requested approval of its proposed default energy service rate for effect with services rendered on and after January 1, 2018.

B. OCA

The OCA stated that it supported the calculation of the three-month rate and recommended that the Commission approve the petition.

C. Staff

Staff stated that it had investigated the filing and determined that the energy service rate of 11.25 cents per kWh for the three-month period from January through March 2018 is appropriately calculated and consistent with provision of RSA 369-B. Staff recommended that the Commission approve the petition.

III. COMMISSION ANALYSIS

Pursuant to RSA 369-B:3, IV (b)(1)(a), Eversource's energy service rate shall be set to recover "its actual, prudent, and reasonable costs of providing such power, as approved by the Commission." The statute also directs Eversource to use in the first instance its generation sources in providing power to customers. RSA 369-B:3, IV (b)(1)(a). Pursuant to the settlement agreement we approved in Docket No. DE 14-238 and subsequent proceedings, Eversource has requested, and the Commission has approved, the divestiture of its generation resources. In anticipation of divesting its generation assets, Eversource made a filing in Docket No. DE 17-113 to establish a process for providing default energy service to its customers by soliciting power supply in the competitive market.

Consistent with the settlement agreement, Eversource updated its energy service filing in this docket to propose a three-month rate for the first quarter of 2018, with the expectation that

³ The settlement in Docket No. DE 17-113 is pending before the commission.


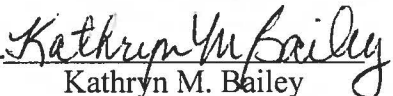
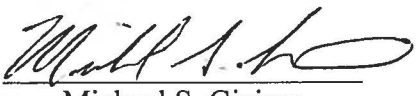
Eversource will be able to go to the competitive market and secure power supply for the period beginning April 1, 2018. In estimating the three-month rate, which will be subject to a later reconciliation, Eversource used the cost and revenue data estimated for the months of January, February, and March 2018. We find that Eversource has appropriately calculated the rate, and that the rate is just and reasonable as required by RSA 374:2, RSA 378:5, and RSA 378:7. On that basis, we approve the energy service rate as updated on December 8, 2017.

Based upon the foregoing, it is hereby

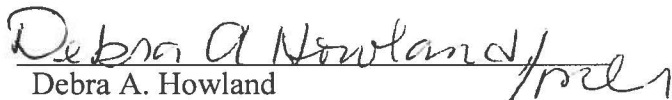
ORDERED, that the request of Eversource to establish a three-month energy service rate of 11.25 cents per kWh for effect on a service-rendered basis beginning January 1, 2018, is hereby APPROVED; and it is

FURTHER ORDERED, that Eversource shall file tariffs consistent with the requirements of N.H. Code Admin. Rule Puc 1600 and conforming to this Order within 10 business days of the date hereof.

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

		
Martin P. Honigberg Chairman	Kathryn M. Bailey Commissioner	Michael S. Giaimo Commissioner

Attested by:


Debra A. Howland
Executive Director