

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 19-106

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

Petition to Change Transmission Cost Adjustment Mechanism Rates

Order Approving Change to Transmission Cost Adjustment Mechanism Rates

ORDER NO. 26,276

July 30, 2019

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; the Office of the Consumer Advocate by Brian D. Buckley, Esq., on behalf of residential ratepayers; and Paul B. Dexter, Esq., on behalf of Commission Staff.

This order approves an increase to transmission cost adjustment mechanism rates for Eversource customers effective with services rendered on and after August 1, 2019. For residential customers, the rate will increase from 2.039 cents per kWh to 2.241 cents per kWh. The transmission cost adjustment mechanism is one of four rate components that will change on August 1, as discussed below.

I. PROCEDURAL HISTORY

The Commission approved the creation of Eversource's transmission cost adjustment mechanism (TCAM) rate for the reconciliation and recovery of transmission expenses and revenues in Docket No. DE 06-028, Eversource's 2006 distribution rate case. *See Public Service Co. of N.H.*, Order No. 24,750 at 23 (May 25, 2007). By letter dated May 31, 2019, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) asked the Commission to open this docket to set a new average TCAM rate. The Office of the Consumer Advocate (OCA) filed a notice of participation in this proceeding on June 18, and the

Commission issued an Order of Notice on June 20. On July 3, Eversource filed a petition to increase the TCAM rate from the current average rate of 1.864 cents per kilowatt hour (kWh) to 2.051 cents per kWh, for effect August 1, 2019. Eversource also submitted a lead/lag study of transmission-related receipts and revenues, which it had used in the calculation of the proposed average TCAM rate.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2019/19-106.html>.

II. POSITIONS

A. Eversource

Eversource's TCAM rate allows the Company to fully recover certain Federal Energy Regulatory Commission (FERC) and 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.

Eversource's TCAM rate calculation includes two groups of transmission costs. The first group consists of four categories of wholesale transmission costs. Those four categories include: (1) regional network service (RNS) costs, (2) local network service (LNS) costs, (3) RNS reliability costs, and (4) scheduling and dispatch costs. All of those costs are regulated by FERC. The second group of costs includes Hydro-Quebec support costs offset by related revenues, and the TCAM working capital allowance.

RNS costs are the costs required to support the regional transmission infrastructure throughout New England. RNS costs are billed to each entity in the region that has RNS load responsibilities, based on that entity's monthly peak load. Eversource reported that the RNS rate

for the period July 2019 to June 2020 approved by FERC is \$111.94 per kW-yr, which translates to approximately \$23.62 per MWh; an increase of \$1.77 per MWh. *See* Order No. 26,163 at 3 (July 31, 2018).

LNS costs encompass local transmission costs incurred by the Company's parent that are not included in the RNS tariff, and are allocated to Eversource's affiliated distribution companies based on a load ratio share calculated using a rolling 12-month coincident peak. Eversource reported the LNS revenue requirement translates to \$2.34 per MWh, an increase of \$0.87 per MWh. *Id.*

RNS reliability costs include blackstart capability and reactive power. Blackstart costs consist of payments to certain generating units that have demonstrated their ability to start and energize the electrical grid without relying on the external electric power transmission network to begin operation. The reliability costs represent payments to qualified generating units 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 load serving entities in the region based on each 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. Those costs are also billed by ISO-NE to load serving entities that have RNS load responsibility based on their monthly peak loads, in accordance with applicable FERC tariffs.

Hydro-Quebec support costs are associated with FERC-approved contractual agreements between Eversource Energy 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. Under those agreements, Eversource is charged its proportionate

share of operations and maintenance capital costs for a 30-year period ending in 2020. Effective July 1, 2010, Eversource also began returning its share of any Hydro-Quebec facility revenues to customers as a revenue credit in the calculation of the TCAM rate.

When the TCAM rate was first approved in 2007, the rate did not include an allowance for working capital related to transmission and the associated working capital was recovered through distribution rates. In Eversource's subsequent 2009 distribution rate case, the Commission approved recovery of transmission-related working capital through the TCAM rate. Eversource conducted a lead/lag study to calculate the transmission-related working capital requirement for the instant filing. In pre-filed testimony, Eversource presented the results of its study, which calculated an overall net lead of 13.1 days.

The TCAM allows the Company to set transmission rates for a defined future billing period based on transmission cost estimates, using current and forecast data, most of which is provided by ISO-NE. The TCAM also includes all actual cost and revenue data available from the previous year at the time of the filing, as well as over- or under-recoveries that are incorporated into the next TCAM rate. The forecast period in this filing is the 12-month period from August 2019 through July 2020, and the reconciliation period includes actual results for January 2018 through May 2019, and estimated results for June and July 2019.

Eversource said that it calculated the average rate in the same manner that it has used since the approval of the settlement agreement in Docket No. DE 06-028. With the exception of the Backup Delivery Service Rate B (Rate B), the Company adjusts all transmission rates by an equal percentage to achieve the overall average 2.051 cents per kWh transmission rate. According to Eversource, the increase in the average TCAM rate is driven primarily by increased

LNS costs, decreased forecasted over-collections, and decreased forecasted Hydro-Quebec credits.

For Rate B, the DE 06-028 settlement agreement provides that transmission costs are recovered through a demand charge, and it splits the demand charge into base and incremental components. The settlement agreement describes the cost allocation for the base component and states that other transmission rates will be calculated through equal percentage adjustments. To calculate the base component, a portion of the TCAM costs is allocated to Rate B based on the class contribution to the Company's demand at the time of Eversource's monthly system peaks. The costs are reconciled against actual revenue for the class, with any resulting over- or under-collection flowing into the rate calculation. The incremental component of the rate is adjusted by the same percentage applied to all other rates.

As a result of the adjustments to the average rate dictated by the settlement agreement, Eversource calculated a residential TCAM rate of 2.241 cents per kWh for effect August 1, 2019.

Eversource proposed several rate changes for effect on August 1, 2019: TCAM rates, energy service rates, distribution rates, and Stranded Cost Recovery Charge (SCRC) rates. Eversource stated that as a result of all the proposed rate changes, a residential energy service customer using 600 kWh per month would see a monthly decrease of about 23 cents, or 0.2 percent.

B. OCA

The OCA recommended that the Commission approve the TCAM rates as just and reasonable.

C. Staff

Staff questioned two components of the Eversource lead/lag study. First, Staff asked about a \$6.5 million intercompany payment for LNS in June 2018 that Eversource said was for a true-up payment for service rendered in 2017. Second, Staff asked whether the payment dates in the lead/lag study showed payments by Eversource (the parent company) or PSNH (the New Hampshire distribution company). Eversource indicated the study showed Eversource payment dates and that PSNH would settle with Eversource about a month later.

Staff recommended that the Commission approve the filing, but allow for further review of the lead/lag study to address these two issues (and others that may arise). Staff also requested that any resulting changes be accounted for in the TCAM reconciliation process.

III. COMMISSION ANALYSIS

We find that Eversource used the appropriate method to calculate the TCAM rates consistent with the terms of the settlement agreement approved by Order No. 24,750. We are satisfied that the transmission costs included in the filing are consistent with the applicable FERC-approved tariffs, and that the resulting rates are just and reasonable pursuant to RSA 374:2 and RSA 378:7. Therefore, we approve the Company's requested overall average TCAM rate of 2.051 cents per kWh effective with service rendered on and after August 1, 2019. We will allow Eversource to use the results of the lead/lag study in its calculation of rates, subject to the review of Staff and the OCA, and to any changes arising from that review.

This TCAM rate change, combined with adjustments to the Company's distribution, energy service, and SCRC rates, all for effect August 1, 2019, will result in an overall 0.2 percent decrease in monthly bills for residential customers who use 600 kWh per month and take energy service from Eversource, as compared with the current period. When compared to rates in effect

for the same period last year (August 1, 2018, through January 31, 2019), the bills for those residential customers will be approximately 0.3 percent lower, primarily due to the decrease in the energy service charge.

For residential customers taking energy service from a competitive supplier, the delivery portion of the monthly bill will increase by approximately 10.9 percent compared to what they are currently paying.

Based upon the foregoing, it is hereby

ORDERED, that the petition by Eversource for approval of an average transmission cost adjustment mechanism rate of 2.051 cents per kWh for effect August 1, 2019, is hereby APPROVED; and it is

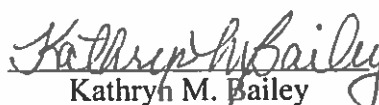
FURTHER ORDERED, that Eversource is authorized to use the results of the lead/lag study in its calculation of rates subject to the review of Staff and the OCA, and subject to reconciliation as a result of any approved changes arising from that review; and it is

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

By order of the Public Utilities Commission of New Hampshire this thirtieth day July, 2019.



Martin P. Honigberg
Chairman

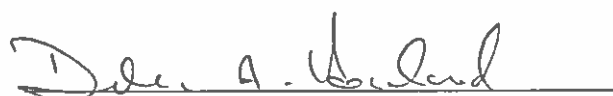


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

ExecutiveDirector@puc.nh.gov
donald.kreis@oca.nh.gov
erica.menard@nu.com
james.brennan@oca.nh.gov
kristi.davie@eversource.com
marc.lemenager@eversource.com
ocalitigation@oca.nh.gov
robert.bersak@eversource.com
matthew.fossum@eversource.com
amanda.noonan@puc.nh.gov
paul.dexter@puc.nh.gov
richard.chagnon@puc.nh.gov
tom.frantz@puc.nh.gov