STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 19-080

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

Reconciliation of Energy Service and Stranded Costs for Calendar Year 2018

Order Approving Reconciliation

O R D E R N O. 26,448

January 29, 2021

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 D. Maurice Kreis, Esq., on behalf of residential ratepayers; and Paul B. Dexter, Esq., on behalf of Commission Staff.

In this order, the Commission approves Eversource's reconciliation of energy service and stranded costs for the 13 month period ending January 31, 2019. This approval has no effect on rates because the under-recovered revenue was included in the 2019 energy service rate and stranded cost recovery charge.

I. PROCEDURAL HISTORY

In April 2019, Eversource requested that its final annual reconciliation[1] of energy service and stranded costs be filed on or about June 1, 2019. The Office of the Consumer Advocate (OCA) filed a letter of participation pursuant to RSA 363:28 on April 23, 2019. On June 3, 2019, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) pre-filed testimony with related schedules and exhibits in support of a proposed reconciliation of revenues and costs associated with its energy service (ES) rate for the period in

[1] Because of divestiture, this will be Eversource's final reconciliation of its owned generation costs and revenues. Reconciliations of over and under recoveries for energy service and stranded costs will continue.

2018 until it transitioned to competitively supplied energy service, and for its stranded cost recovery charge (SCRC) for the 13 month period from January 1, 2018, through January 31, 2019.

The SCRC is the mechanism Eversource uses to recover certain restructuring-related stranded costs as allowed under the 1999 Agreement to Settle PSNH Restructuring (Restructuring Settlement) approved by the Commission. *See PSNH Proposed Restructuring Settlement* Order No. 23,433 (April 19, 2000); Order No. 23,549 (September 8, 2000); and Order No. 23,563 (September 29, 2000); *see also Public Service Co. of N.H.*, Order No. 24,125 (February 14, 2003) (approving the Company's initial SCRC reconciliation for the period from May 1, 2001, through December 31, 2001). In Docket No. DE 14-238, the Commission approved the 2015 PSNH Restructuring Settlement Agreement. That Agreement directed the completion of Eversource's divestiture of its generation assets, modified the costs and revenues eligible for recovery through the SCRC, and changed the way Eversource procures and prices energy service for customers who have not selected a competitive supplier. *See Public Service Co. of N.H.*, Order No. 25,920 (July 1, 2016).

Prior to divestiture, Eversource recovered the costs of providing power from its generating units and its supplemental power purchases through the energy service rate. In Order No. 24,579 (January 20, 2006), the Commission determined that the reconciliation of revenues collected and costs prudently incurred associated with default energy service would be reconciled in the ES rate.

The Commission issued an order of notice on September 23, 2020. On October 30, 2020, following a period of discovery, which included technical sessions held on September 30 and October 13, 2020, Eversource, OCA, and the Staff of the Public Utilities Commission (Staff) filed a Stipulation and Settlement Agreement (Settlement) which called for the acceptance of

Eversource's request as filed on June 3, 2019. A hearing on the merits of the application and the Settlement was held on November 6, 2020.

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/2019/19-080.html.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

Before divestiture, Eversource met a portion of its energy service requirements through generation resources owned by the Company. This included energy from nine hydroelectric dams; coal- and biomass-fired generating units (at Merrimack and Schiller Stations); and a natural gas/oil-fired generating unit (Newington Station). Hearing Exhibit (Exh.) 1 at 47. Eversource divested its fossil fuel based generation units on January 10, 2018; therefore, only nine days of fossil generation costs were incurred during this reconciliation period. *Id*. Similarly, Eversource divested its hydro-electric generating units on August 26, 2018, and this reconciliation reflects approximately 8 months of ownership of those assets. *Id.*

Eversource made power purchases to meet some of its load requirements during those periods of asset ownership and for all of its requirements after those periods. *Id.* at 47-48. Thus, energy service costs included in this reconciliation period included the fuel costs associated with Eversource's generation, as well as costs and revenues from energy and capacity sales and purchases. Costs related to the Renewable Portfolio Standard and the Regional Green House Gas Initiative were included. Energy service costs also included power purchased from Independent Power Producers (IPPs) at market prices; revenue requirements of generation such as non-fuel operation and maintenance (O&M); depreciation, property taxes, and payroll taxes; and a return on net generation investment.

The Restructuring Settlement requires Eversource to provide energy service to those customers in its franchise area who do not choose to obtain energy service from a competitive supplier. Until divestiture was completed, the ES rate for all retail customers was based on the Company's forecast of the actual, prudent, and reasonable costs of providing energy service. RSA 369-B:3, IV(b)(1)(A). To develop energy service rates, Eversource prepared an annual forecast of energy costs and proposed rates for the next calendar year, with rates to be effective on a service-rendered basis beginning January 1 of each year. Similarly, Eversource developed an estimate of the costs and revenues associated with SCRC obligations, and updated the forecasts of both ES and SCRC mid-year for effect on a service rendered basis on July 1. In the subsequent year, on May 1, Eversource filed an annual reconciliation of the estimated costs and revenues, with actual costs and revenues for review by the Commission.

The June 3, 2019, filing represents the reconciliation of the ES costs and revenues from January through March 2018 (–after which Eversource transitioned to competitively supplied energy service) along with a reconciliation of costs associated with the hydro assets through January 31, 2019, and SCRC costs and revenues for the period from January 1, 2018, through January 31, 2019. Exh. 1 at 4. In pre-filed testimony, Eversource provided an overview of the reconciliation between the revenues and expenses reported in the Company's ES and SCRC filings.

In the Restructuring Settlement, the Commission categorized stranded costs into three parts: Part 1, Part 2, and Part 3.[2] In May, 2018, Eversource incurred additional Part 1 costs due

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[2] Part 1 costs consisted of the over-market portion of Seabrook regulatory assets, a portion of Eversource's share of Millstone 3, and certain financing costs that were incurred while obtaining the Rate Reduction Bonds (RRBs). Part 2 costs consist of the over-market value of energy purchased from IPPs and the up-front payments (and savings) made for Commission approved IPP contract buy-downs and buyouts, a negative return related to deferred taxes on Part 1 costs and a return on unpaid contract obligations for nuclear plants. Part 3 costs have been fully recovered since 2006 and are not at issue in this reconciliation. Exh. 1 at 12. Part 1 and Part 3 costs had been paid up prior to the 2018 divestiture of the Eversource generation facilities.

to the issuance of new Rate Reduction Bonds (RRBs). Exh. 1 at 20-21. Part 2 costs in the reconciliation period consisted of the over-market costs of power produced by IPPs, and buy-outs and buy-downs of IPP contracts approved by the Commission. For the 13 month reconciliation period ending January 31, 2019, Eversource said that the total accumulated balance of Part 2 costs increased by $4.7 million, from $1.5 million at the end of 2017 to $6.2 million as of January 31, 2019, primarily due to actual above-market IPP costs being higher than forecasted. Exh. 1 at 13.

Concerning energy service provided by Eversource including its owned generation assets through March 31, 2018, Eversource stated that it experienced a net adjusted under-recovery as of March 31, 2018, of approximately $128 million. Exh. 1 at 9. That under-recovery was primarily due to the deferred Scrubber cost balance of $99.7 million that was included in its securitized total and transferred to Part 1 stranded costs.[3] Eversource stated that the non-Scrubber portion of the under-recovery ($28.2 million) was transferred from energy service rates to the SCRC (Part 2 stranded costs) in April, 2018.[4] Exh. 1 at 10, 22. Eversource provided Hydro revenues and expenses through January 31, 2019. The Hydro portion of ES had an under-recovery balance of $2.4 million as of January 31, 2019, because of assumptions made in setting a hydro adjuster rate during 2018. *Id.* at 10-11.

Eversource reported how the Company's generation resources and supplemental purchases were utilized to meet energy and capacity requirements for the period January 1, 2018,

[3] The Scrubber is a wet flue desulphurization unit at Merrimack Station. The final balance of deferred scrubber costs was $98,213,258 after the inclusion of the April 2018 amortization recovery of $1,474,250. That balance of deferred scrubber costs was included in the $635,663,200 securitized on May 4, 2018, as approved in Docket No. DE 17-096, and audited by the Commission in Docket DE 20-005. Those deferred scrubber costs, now securitized, will be recovered within the $635,663,200 total securitized amount as Part 1 stranded costs.

[4] In Docket DE 18-073, Eversource reported a net adjusted under recovery of $30.0 million for non-Scrubber costs effective December 31, 2017.

through March 31, 2018. As a load-serving entity during that period, Eversource needed sufficient energy to meet the hourly needs of its customers, and needed to ensure it met its share of the capacity requirements set by the independent system operator of the New England energy grid, ISO New England, Inc. (ISO-NE). During that period, Eversource met its energy and capacity requirements through its owned generation, purchases required by the Public Utility Regulatory Policies Act of 1978 (PURPA), power purchase agreements, and through supplemental purchases of energy and capacity from the market. Beginning April 1, 2018, Eversource competitively procured power for ES, and costs incurred for ES after April 1, 2018, were not part of this docket. *Id.* at 46-47.

Eversource adjusted rates in subsequent dockets to collect the under-recoveries, and requested that the Commission review and approve its 2018 ES and SCRC reconciliations and find that its generation and purchased power costs were prudently incurred. *Id*. at 14.

B. OCA

The OCA signed the Settlement which states Settling Parties agree that the information presented in Eversource's filing demonstrated that Eversource acted prudently and reasonably in the operation of its facilities, that the cost and revenues are appropriately accounted for, and accordingly, the Company's filing should be approved as submitted. Exh. 3. At the hearing, the OCA supported approval of the filing. Hearing Transcript of November 6, 2020 (Tr.) at 22.

C. Staff

Likewise, Staff signed the Settlement which states Settling Parties agree that the information presented in Eversource's filing demonstrated that Eversource acted prudently and reasonably in the operation of its facilities, that the cost and revenues are appropriately accounted for, and accordingly, the Company's filing should be approved as submitted. Exh. 3. At the hearing, Staff supported approval of the filing. Tr. at 22-23.

III. COMMISSION ANALYSIS

The Settlement presented in this docket calls for approval of the Company's filing as submitted on June 3, 2019, and our analysis will focus on the underlying filing.

Under the Restructuring Settlement, Eversource was obligated to use its generation fleet for the provision of its energy service during parts of 2018 and may recover its "actual, prudent, and reasonable costs" in connection with such use of those facilities. RSA 369-B:3, IV(b)(1)(A) (noting that this obligation remained effective until Eversource divested its generation fleet). To the extent that Eversource procured retail energy from other sources, we must review the prudence of those costs as well.

We have reviewed the record in this proceeding and find the reconciliation reflects the actual, prudent, and reasonable costs incurred by Eversource in providing energy service to its customers. Eversource demonstrated that its fossil fueled generation assets experienced only one short outage which was attributed to a piece of equipment that was fully repaired. Eversource further testified that its hydro assets operated reliably and consistent with prior years. Other capacity and energy requirements were met through market purchases.

Eversource demonstrated that only eligible Part 1 and Part 2 stranded costs were included in the reconciliation, which were appropriately calculated.

Based upon the foregoing, it is hereby

ORDERED, that Eversource's reconciliation filed on June 3, 2019, and the Stipulation and Settlement Agreement submitted October 30, 2020, are hereby APPROVED.

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

Dianne Martin
Chairwoman

Kathryn M. Bailey
Commissioner

Attested by:

Debra A. Howland
Executive Director

Service List - Docket Related

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