

THE STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING
2017 DEFAULT ENERGY SERVICE RATE CHANGE
Docket No. DE 16-XXX

1 **Q. Please state your name, business address and position.**

2 A. My name is Christopher J. Goulding. My business address is 780 North Commercial
3 Street, Manchester, NH. I am employed by Eversource Energy Service Company as the
4 Manager of New Hampshire Revenue Requirements and in that position I provide service
5 to Public Service Company of New Hampshire d/b/a Eversource Energy (“Eversource”
6 or the “Company”). For purposes of this testimony, references to Eversource Energy will
7 mean the parent company and references to Eversource will mean PSNH.

8 **Q. Have you previously testified before the Commission?**

9 A. Yes, I have.

10 **Q. What are your current responsibilities?**

11 A. I am currently responsible for the coordination and implementation of revenue
12 requirements calculations for Eversource, as well as the filings associated with
13 Eversource’s Energy Service (“ES”) rate, Stranded Cost Recovery Charge (“SCRC”),
14 Transmission Cost Adjustment Mechanism (“TCAM”), and Alternate Default Energy
15 (“ADE”) rate.

1 **Q. What is the purpose of your testimony?**

2 A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek
3 the necessary approvals to set the ES rate applicable to Eversource's customers who take
4 service under the default energy service rate that will take effect on January 1, 2017.

5 **Q. Please provide an overview of how customers acquire generation services and how**
6 **the ES cost recovery mechanism works.**

7 A. As a result of electric industry restructuring, customers may choose their source of
8 generation service. Eversource's customers may obtain generation service from an
9 approved competitive supplier, or they may choose to receive their energy from
10 Eversource in the form of default energy service.

11 Historically, through January 31, 2006, all ES reconciliation amounts (over or under
12 recoveries) were applied against Part 3 stranded costs. With the elimination of Part 3 of
13 the SCRC in June 2006, all ES reconciliation amounts effective with ES recovery
14 beginning February 1, 2006 were no longer applied to Part 3 stranded costs. ES
15 reconciliation amounts beginning in February 2006 are now being deferred and are
16 applied to future ES rate recoveries per the Commission's order and findings in Docket
17 No.DE 05-164, Order No. 24,579, dated January 20, 2006.

Q. Please provide the historic and current ES rates.

A. In this proceeding, Eversource is requesting the Commission determine an updated, single ES rate for all eligible customers effective January 1, 2017, based on a forecast of Eversource's costs of providing such power for the calendar year 2017.

The table below outlines ES rates in effect from May 1, 2001 to the present for residential, small general service customers and large commercial and industrial customers.

Date of Service

May 2001 - January 2003	(a) 4.40 cents per kWh
February 2003 - January 2004	(b) 4.60/4.67
February 2004 - July 2004	5.36
August 2004 - January 2005	5.79
February 2005 - July 2005	6.49
August 2005 - January 2006	7.24
February 2006 - June 2006	9.13
July 2006 - December 2006	8.18
January 2007 - June 2007	8.59
July 2007 - December 2007	7.83
January 2008 – June 2008	8.82
July 2008 – December 2008	9.57
January 2009 – July 2009	9.92
August 2009 – December 2009	9.03
January 2010 – June 2010	8.96
July 2010 – December 2010	8.78
January 2011 – June 2011	8.67
July 2011 – December 2011	8.89
January 2012 – April 15, 2012	8.31
April 16, 2012 – June 2012	(c) 8.75
July 2012 – December 2012	(c) 7.11
January 2013 – June 2013	(c) 9.54
July 2013 – December 2013	(c) 8.62
January 2014 – June 2014	(c) 9.23
July 2014 – December 2014	(c) 9.87
January 2015 – June 2015	(c) 10.56

July 2015 – December 2015	(c) 8.98
January 2016 – June 2016	(d) 9.99
July 2016 – December 2016	(d) 10.95

- (a) Set by statute for all retail customers.
- (b) Small C&I and residential rate set by statute (4.60 cents).
Large C&I rate set on forecasted costs (4.67 cents).
- (c) This rate includes 0.98 cents per kWh for Merrimack Scrubber costs approved in the temporary rates Order 25,346 in Docket No. DE 11-250.
- (d) This rate includes 1.72 cents per kWh for Merrimack Scrubber costs approved in Order 25,854 in Docket No. DE 11-250.

1 Initially, ES rates were set by statute. Beginning in February 2003, the ES rate for large
2 commercial and industrial customers was based on Eversource's forecast of "actual,
3 prudent and reasonable costs" (4.67 cents). Beginning in February 2004, the ES rate for
4 all retail customers was based on a forecast of Eversource's "actual, prudent and
5 reasonable costs."

6 In its initial decision in Docket No. DE 03-175 (Order No. 24,252), the Commission
7 reiterated its desire to avoid ES cost deferrals. As a way to minimize these deferrals, the
8 Commission provided any interested party the option of making an interim ES rate filing
9 in July, with the objective of setting a revised ES rate effective on August 1. This interim
10 process has been used in recent years. Beginning in 2007, the ES rate year was adjusted
11 to coincide with the calendar year January – December. In 2016, the current ES rate was
12 adjusted effective July 1, 2016.

1 **Q. Is Eversource proposing a specific ES rate at this time?**

2 A. No, we are not. In prior ES proceedings, the Commission has required Eversource to
3 utilize market information that is most current as of the hearing date. In light of that
4 precedent, at this time Eversource is supplying preliminary market data and operational
5 data for its owned generation, as well as for existing power purchase obligations based on
6 contracts with Independent Power Producers (“IPPs”). Eversource will formally propose
7 an ES rate, and provide a rate calculation based on updated market information, prior to
8 the anticipated hearing in December 2016.

9 **Q. Has Eversource performed a preliminary calculation of what its projected actual,**
10 **prudent, and reasonable costs of providing energy service will be from January 1,**
11 **2017 through December 31, 2017?**

12 A. Yes. As shown on Attachment CJG-1, for the period from January 1, 2017 through
13 December 31, 2017, Eversource’s preliminary calculation of a projected ES rate
14 including scrubber recovery is 10.99 cents per kWh.

15 **Q. Are the costs that Eversource has included in this ES rate filing consistent with the**
16 **past ES filings?**

17 A. The major cost categories are consistent. These categories are the revenue requirements
18 for owned generation assets and the costs of purchased power obligations. These costs
19 include the fuel costs associated with Eversource’s generation assets, the costs from
20 supplemental energy and capacity purchases, certain ISO-NE ancillary service charges
21 and the cost of compliance with the Renewable Portfolio Standard (“RPS”) and Regional

1 Greenhouse Gas Initiative (RGGI). ES costs also include non-fuel operation and
2 maintenance costs (O&M), depreciation, property taxes and payroll taxes, uncollectible
3 costs attributable to ES, and a return on the net generation investment.

4 **Q. Order No. 25,914 required Eversource to conduct a Lead/Lag study in consultation**
5 **with the Staff and the Office of Consumer Advocate for inclusion in this ES rate**
6 **filing. Has the Company done this?**

7 A. Yes, as described in the Testimony of Brian Rice, the Company has performed a
8 Lead/Lag study. The results of the study have been used to calculate the Working Capital
9 Allowance that has been included as part of rate base on page 6 of Attachment CJG-2.

10 **Q. Does Eversource plan to minimize 2017 cost deferrals through a mid-term**
11 **adjustment?**

12 A. Yes. If a rate adjustment is deemed necessary, Eversource (or any interested party) could
13 file a petition in early June, prior to the beginning of the second half of the year,
14 requesting a change in the ES rate for the remaining six months of the year. Eversource
15 would submit actual and estimated data on a date specified by the Commission to allow
16 the parties, Staff and Commission sufficient time to address the need for an interim
17 adjustment during the year, if necessary.

1 **Q. Were any changes made to the methodology in this ES rate filing regarding**
2 **recovery of the costs of the Scrubber?**

3 A. No. Section III.2.D, of the Restructuring and Rate Stabilization agreement dated June 10,
4 2015, in Docket No. DE 14-238, states that effective January 1, 2016, the Temporary
5 Rate for recovery of costs of the Scrubber shall be changed to reflect recovery of all costs
6 of the Scrubber incurred by PSNH (Eversource), along with its allowed return on those
7 costs. It also states that the previously-deferred costs resulting from the temporary rate
8 level shall be included in rates based upon an amortization period of seven years. In
9 accordance with Docket No. DE 11-250, Order 25,854 dated December 22, 2015, the
10 Scrubber Rate of 1.72 cents per kWh has been included in the calculation of this
11 preliminary January 1, 2017 ES rate.

12 **Q. Please discuss the level of migration assumed in this filing.**

13 A. As explained in the testimony of Daniel J. Ludwig that is also included with this filing,
14 the level of forecasted migration assumed in Eversource's filing for September through
15 December 2016 is 56.8%. The level of forecasted migration assumed in Eversource's
16 filing for 2017 is 56.9%, which is the average forecasted migration level on Eversource's
17 system for January through December 2017.

18 **Q. How are Eversource's mandated purchased power obligations (IPPs) valued in**
19 **calculating the ES rate?**

20 A. Eversource includes IPP generation as a source of power to meet Eversource's load
21 requirements, and that power is valued based on projected market costs (energy and

1 capacity). The over-market portion of purchases from the IPPs are treated as a stranded
2 cost and recovered through the SCRC. This treatment is consistent with the
3 Restructuring Settlement and the Commission's Order in Docket No. DE 02-166. As
4 market prices drop, the value of IPP purchases recovered through the ES rate drops.
5 However, at the same time, there is a corresponding increase to the SCRC rate for the
6 above-market value of IPP purchases. As market prices increase, the ES costs increase
7 and there is a corresponding decrease to the SCRC rate for the same time period. To
8 properly match the recovery of IPP costs, Eversource is also concurrently filing for a
9 change in the SCRC rate effective January 1, 2017.

10 **Q. Please describe the detailed support for the calculation of the ES rate.**

11 A. Attachment CJG-1 provides a summary of the total energy service cost and the
12 calculation of the preliminary January 1, 2017 ES rate. Attachment CJG-2 provides
13 detailed cost and revenue components relating to Eversource's 2017 generating costs, and
14 also provides a breakdown of market purchases and sales. Page 3 of the attachment
15 provides further detail relating to Eversource generation and purchased power for the
16 period January 1, 2017 through December 31, 2017. Page 4 provides further detail on the
17 forecasted market value of IPP generation. Page 5 provides a breakdown of Fossil/Hydro
18 Operation and Maintenance costs. Page 6 provides a detailed calculation of the return on
19 Fossil/Hydro. Attachments CJG-3 and CJG-4 provide the detailed cost and revenue
20 components relating to the preliminary 2016 ES reconciliation.

1 **Q. Does Eversource require Commission approval of this rate by a specific date?**

2 A. Yes, Eversource needs final approval of the proposed ES rate by December 28, 2016, in
3 order to implement the new rate for service rendered on and after January 1, 2017.
4 Therefore, Eversource requests that the Commission commence a proceeding so that the
5 procedural schedule can be set to review this filing and approve the ES rate in a timely
6 manner.

7 **Q. Does this conclude your testimony?**

8 A. Yes, it does.