STATE OF NEW HAMPSHIRE

BEFORE THE PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire
Reconciliation of Energy Service and Stranded Costs for
January 2018 through January 2019

PREPARED TESTIMONY OF ERICA L. MENARD

Docket No. DE 19-080

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

A. My name is Erica L. Menard. My business address is 780 North Commercial Street, Manchester, NH. I am employed by Eversource Energy Service Company as the Manager of New Hampshire Revenue Requirements and in that position, I provide service to Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource" or the "Company").

Q. Have you previously testified before the Commission?

A. I have not testified in person before the Commission, but I have submitted testimony in the Company's pending rate case in Docket No. DE 19-057.

Q. Please describe your educational background.

A. I graduated from the University of Maine in 1997 with a Bachelor of Arts degree in Economics and Business Administration with a concentration in Finance and from the University of New Hampshire in 2007 with a Master's in Business Administration.

Q. Please describe your professional experience.

A. I was hired by Public Service Company of New Hampshire (now Eversource) in 2003 and have held various positions in the Company with increasing levels of responsibility. I was appointed to my current position of Manager, Revenue Requirements –NH in April 2019. Prior to my current role, I held the position of Manager, Budgets & Investment Planning from September 2012 to April 2019. In that role I oversaw the capital and operations and maintenance plan budgets, actuals, and financial reporting for New Hampshire operations. From September 2003 to September 2012, I held the positions of Analyst and Senior Analyst in Economic Development and Load Forecasting and Supervisor of Performance Analysis and Business Planning where I was responsible for sales forecasting, economic analysis, performance management, and business planning activities. Prior to joining the Company, from June 1997 to September 2003, I held various positions at ICF Consulting in Fairfax, Virginia ranging from analyst, product consultant, and project manager with responsibilities for implementing load profiling and load settlement software at various utilities around the world.

Q. What are your current responsibilities?

A. I am currently responsible for the coordination and implementation of revenue requirements calculations for Eversource, as well as the filings associated with Eversource's default Energy Service ("ES") rate, Stranded Cost Recovery charge ("SCRC"), Transmission Cost Adjustment Mechanism ("TCAM"), and Distribution Rates.

Q. What is the purpose of your testimony?

A. The primary purpose of my testimony is to provide an overview of this filing and to seek approval of the reconciliation between the revenues and expenses contained within Eversource's ES and SCRC rate filings for the twelve-month reporting period January 1, 2018 through January 31, 2019 ("reporting period").

Q. Will anyone else be providing testimony in support of this filing?

A. Yes. William H. Smagula, consultant to Eversource and the former Vice President of Generation for Eversource, will review the performance of Eversource's fossil and hydro generation units during the period before Eversource divested them in 2018, and Frederick B. White, Supervisor - Power Supply Analysis and Policy, will review how Eversource met its energy and capacity requirements during this reporting period.

Q. Have you provided a schedule showing replacement power costs as a result of outages?

A. No. Historically, the Company had provided a schedule showing Replacement Power Costs (RPCs) due to outages at its generating stations. For example, see Schedule CJG-2 (Bates page 17) in the Company's filing in Docket No. DE 18-073 for calendar year 2017. However, because the Company owned its fossil facilities only a few days in 2018 and because there were no outages in those days meeting the reporting criteria, that schedule has been eliminated from this filing.

Q. Please describe the ratemaking framework that began on May 1, 2001.

A. On May 1, 2001 (Competition Day), Eversource began to recover costs under the Restructuring Settlement. Under the terms of the Restructuring Settlement, Eversource continues to recover costs related to the generation and delivery of electricity, but the specific rate structure now in place segments recovery into various components. The four major components of that segmentation are the Delivery Charge, the TCAM, the SCRC, and the ES rate. Two of the major interrelated rate components, the SCRC and the ES rate, are the subject of this proceeding.

Q. Are there any changes to the schedules that have been previously presented in these filings?

A. With the various changes due to divestiture and the new ES Rate design there are several changes in this filing.

Due to the divestiture of Eversource's generating assets in 2018, the timeframes covered by this filing differ from prior years. The reconciliation of energy service revenues and expenses covers only the period of January through March 2018. After March 2018, Eversource transitioned to competitively supplied energy service, with the exception of hydro unit activity that is included for April 2018 through August 2018 (the sale month) as well.

Due to the shift of SCRC annual rates now starting on February 1, the SCRC schedules in this filing include the 13 months of January 2018 through January 2019. Subsequent to this filing, and absent any other changes to the filing or the SCRC, SCRC schedules will include the 12-month period ending January 31.

Energy Service Charge

Q. Please describe the ES recovery mechanism.

A. Under restructuring, customers have a choice regarding their energy supplier. Customers may contract for and obtain energy on their own, or they may choose to continue to receive their energy from Eversource.

Under the terms of the Restructuring Settlement and subsequent legislation, Eversource is required to provide ES to those customers who request it. Initially, ES rates were set by statute. Beginning in February 2003, the ES rate for large commercial and industrial customers was based on Eversource's forecast of "actual, prudent and reasonable costs." Beginning in February 2004, the ES rate for all retail customers was based on a forecast of Eversource's "actual, prudent, and reasonable cost of service." The chart below shows the ES rates per kWh which have been in effect since Competition Day.

Rate in Effect:	Rate Set By: Statute or Docket No.	Residential, Small Commercial/Industrial Customers (RSCI)	Large Commercial/ Industrial Customers (LCI)
May 1, 2001 – January 31, 2003	Statute	4.40 cents	4.40 cents
February 1, 2003 - January 31, 2004	RSCI – Statute LCI-DE 02-166	4.60 cents	4.67 cents
February 1, 2004 - July 31, 2004	DE 03-175	5.36 cents	5.36 cents
August 1, 2004 - January 31, 2005	DE 03-175	5.79 cents	5.79 cents
February 1, 2005 - July 31, 2005	DE 04-177	6.49 cents	6.49 cents

August 1, 2005 - January 31, 2006	DE 04-177	7.24 cents	7.24 cents
February 1, 2006 - June 30, 2006	DE 05-164	9.13 cents	9.13 cents
July 1, 2006 - December 31, 2006	DE 05-164	8.18 cents	8.18 cents
January 1, 2007 - June 30, 2007	DE 06-125	8.59 cents	8.59 cents
July 1, 2007 – December 31, 2007	DE 06-125	7.83 cents	7.83 cents
January 1, 2008 - June 30, 2008	DE 07-096	8.82 cents	8.82 cents
July 1, 2008 - December 31, 2008	DE 07-096	9.57 cents	9.57 cents
January 1, 2009 - July 31, 2009	DE 08-113	9.92 cents	9.92 cents
August 1, 2009 - December 31, 2009	DE 08-113	9.03 cents	9.03 cents
January 1, 2010 - June 30, 2010	DE 09-180	8.96 cents	8.96 cents
July 1, 2010 - December 31, 2010	DE 09-180	8.78 cents	8.78 cents
January 1, 2011 - June 30, 2011	DE 10-257	8.67 cents	8.67 cents
July 1, 2011 - December 31, 2011	DE 10-257	8.89 cents	8.89 cents
January 1, 2012 – April 15, 2012	DE 11-215	8.31 cents	8.31 cents
April 16, 2012 – June 30, 2012	DE 11-250	8.75 cents	8.75 cents
July 1, 2012 - December 31, 2012	DE 11-215	7.11 cents	7.11 cents
January 1, 2013 – June 30, 2013	DE 12-292	9.54 cents	9.54 cents
July 1, 2013 - December 31, 2013	DE 12-292	8.62 cents	8.62 cents

Rate in Effect:	Rate Set By: Statute or Docket No.	Residential, Small Commercial/Industrial Customers (RSCI)	Large Commercial/ Industrial Customers (LCI)
January 1, 2014 – June 30, 2014	DE 13-275	9.23 cents	9.23 cents
July 1, 2014 – December 31, 2014	DE 13-275	9.87 cents	9.87 cents
January 1, 2015 – June 30, 2015	DE 14-235	10.56 cents	10.56 cents
July 1, 2015 – December 31, 2015	DE 14-235	8.98 cents	8.98 cents
January 1, 2016 – June 30, 2016	DE 15-415	9.99 cents	9.99 cents
July 1, 2016 – December 31, 2016	DE 15-415	10.95 cents	10.95 cents
January 1, 2017 – June 30, 2017	DE 16-822	11.17 cents	11.17 cents
July 1, 2017 – December 31, 2017	DE 16-822	11.66 cents	11.66 cents
January 1, 2018 – March 31, 2018	DE 17-150	11.25 cents	11.25 cents

Q. Please describe the costs incurred in providing ES to customers during the three-month reporting period.

A. ES costs include the fuel costs associated with Eversource's generation as well as costs and revenues from energy and capacity purchases and sales. Also included are costs related to the New Hampshire Renewable Portfolio Standard ("RPS") and the Regional Greenhouse Gas Initiative ("RGGI"). Finally, additional costs include those associated with IPP power valued at market prices, revenue requirements of generation such as: non-fuel O&M, depreciation, property taxes and payroll taxes, and a return on the net generation investment. Detailed information on the cost of generation is included in Attachment ELM-2 and Attachment ELM-3, page 10.

Q. Subsequent to March 31, 2018, will the costs noted above continue to be included in ES?

A. Beginning in April 2018, the cost to serve Energy Supply customers is supplied by the competitive market. There are some costs that were in ES that will now be recovered through the SCRC rate. These costs include Lempster over market costs, Burgess over market costs, various ISO-New England charges and credits, Seabrook insurance credits, and Renewal Energy Certificate (REC) costs and sales.

Q. How were the costs of the Scrubber recovered over the period of January 1, 2018 through March 31, 2018?

A. By Order No. 25,854 (December 22, 2015), the Commission approved a temporary Scrubber rate of 1.72 cents per kWh which converted to a permanent rate by operation of Order No. 25,920 (July 1, 2016) in Docket No. DE 14-238. The only Scrubber costs incurred from January through March 2018 were the monthly amortization amounts of $1.47 million.

Q. What are the final results for ES in the 2018 reporting period?

A. As shown on Attachment ELM-3, page 8, line 9, last column, the ES had a net adjusted under-recovery balance of $127.9 million at March 31, 2018. This net adjusted under-recovery was due primarily to deferred Scrubber costs of $99.7

million (i.e., Scrubber costs incurred in excess of the permanent rate recovery). The $28.2 million non-Scrubber under-recovery balance (including the $3.4 million attributable to the CSL settlement that was addressed in Docket No. DE 17-075) was transferred to the SCRC in April 2018, included in Attachment ELM-3, page 6, line 10.

Q. Did Eversource include ES results beyond March 2018?

A. Yes, ELM-3, pages 15 and 16 include Hydro revenue and expense through January 31, 2019. Page 16 details the Return on Rate Base calculation for Hydro assets from April through August of 2018, and Page 15 details total revenues and expenses for Hydro activity from April 2018 through January 2019.

Q. What are the final results for Hydro activity from April 2018 through January 2019?

A. As shown on Attachment ELM-3, page 15, line 12, last column, the Hydro portion of the ES had an under-recovery balance of $2.4 million at January 31, 2019. There was a $0.9 million under-recovery for the period April 2018 through July 2018 related to the Hydro Adjuster rate set in the February 9, 2018 filing for Docket No. DE 18-002. This was primarily due to O&M and Depreciation actual costs being higher than forecast, and Energy Revenue being lower than forecast. There was a $1.5 million under-recovery for the period August 2018 through January 2019 related to the Hydro Adjuster rate set in the June 8, 2018 filing for Docket No. DE 18-002. This was primarily due to the fact that because the rate was based on six months of activity, but the Hydro plants were sold in the first month of this rate period, the rate calculation included a forecast for larger revenues beyond the month of August 2018.

Q. How will the Hydro under-recovery balance be recovered?

A. The Hydro Adjuster rate was included in the ES rate for the period April 1, 2018 through January 31, 2019, therefore the Hydro Adjuster under-recovery balance of

$2.4 million will be included in the August 1, 2019 ES Rate filing Docket No. DE 19-082.

Q. Did Eversource file a summary of 2018 benefits for the Northern Wood Power Project (NWPP)?

A. No. As the sale of Eversource's thermal generation fleet (which included the NWPP) closed on January 10, 2018, no activity was reported for 2018. Attachment ELM-3, page 6, line 10, in the July 2018 column reflects an $824K true-up for 2017 REC sales, that is being recovered via the SCRC.

Q. Was there activity through the Seabrook Power Contracts in 2018 that affected the Seabrook net proceeds figure?

A. Yes. There were credits to NAEC of $154K in 2018 reported on Attachment ELM-3, page 10, line 5 in March and $261K in 2018 reported on Attachment ELM-3, page 6, line 13, included in the April column. While there may be additional charges and credits in 2019 that will further impact the net proceeds figure, we do not expect these amounts to be significant. However, we are unable to quantify these charges and credits at this time.

Q. Will these Seabrook-related subsequent charges and credits be passed on to Eversource?

A. Yes, the Seabrook Power Contracts between Eversource and NAEC are still in place for Seabrook sale reconciliation purposes. Subsequent to March 2018, these will be reflected in the SCRC filing.

<u>Stranded Cost Recovery Charge</u>

Q. Please describe the SCRC and its components in more detail.

A. The SCRC recovers costs categorized as "stranded" by New Hampshire law in RSA Chapters 374-F and 369-B. The initial SCRC average rate of 3.4 cents per kWh was agreed to in the Restructuring Settlement which further defined what Eversource's stranded costs were and categorized them into three different parts (i.e. Parts 1, 2, and 3) based on their priority of recovery. Effective June 30, 2006, Part 3 costs were fully recovered.

Q. Please describe the costs that are recovered through the SCRC.

A. Historically, the first tier, Part 1 stranded costs, had the highest priority for recovery. All Part 1 costs had been securitized through the issuance of rate reduction bonds ("RRBs"). 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 (i.e. underwriters fees, legal fees, etc.) while obtaining the RRB financing. RRB interest and RRB fees were also recovered as Part 1 costs. A new issuance of RRBs occurred in May 2018. Pages 4 and 5 of Attachment ELM-3 show the detailed Part 1 costs.

The second tier, Part 2 stranded costs, includes "ongoing" costs consisting of the over-market value of energy purchased from IPPs and the up-front payments made for IPP buy-downs and buyouts previously approved by the Commission, and Eversource's share of the present value of the savings associated with these buy-down and buy-out transactions. Eversource was amortizing these up-front payments over the respective terms of the original IPP rate orders, including a return on the unrecovered costs. The last such rate order or contract expires in the early 2020s.

In addition, Part 2 costs include a negative return on the credit for deferred taxes related to the Part 1 securitized stranded costs and a return on the unpaid contract obligations to Connecticut Yankee Atomic Power Co., Maine Yankee Atomic Power Co., and Yankee Atomic Energy Corp., net of related deferred taxes. Pages 6 and 7 of Attachment ELM-3 show the detailed Part 2 costs by month.

Q. What is your estimate of how long Eversource will continue to bill the SCRC?

A. That depends on the type of cost. The original Part 1 costs were recovered through the SCRC over the life of the corresponding terms of the rate reduction bonds. The original Part 1 recovery ended in May 2013 since the RRBs were fully amortized as of the end of April 2013. The new Part 1 costs related to the issuance of new RRBs in May 2018 are designed to be fully amortized in February 2033.

The timing of Part 2 cost recovery through the SCRC also depends upon on the type of cost. There are several types of Part 2 costs: ongoing purchases from the IPPs (potentially including any purchases Eversource could be required to make pursuant to RSA 362-H); the amortization of up-front payments associated with buyouts or buydowns of IPP rate orders or contracts; and various returns, including returns on Part 2 stranded costs and the outstanding Yankee contract obligations, and the return on SCRC deferred balance. Beginning in April 2018, many costs that were once included in the ES are now included in the SCRC. These costs include Lempster over market costs, Burgess over market costs, various ISO-New England charges and credits, Seabrook insurance credits, and Renewal Energy Certificate (REC) costs and sales.

Ongoing IPP purchases are obligations that will end when the various rate orders or contracts expire. The up-front payments associated with buyouts or buydowns of IPP rate orders or contracts are also being amortized over the remaining lives of the respective rate orders or contracts. The last such rate order or contract expires in the early 2020s. However, most wood-burning IPP rate orders expired in late 2006 and the last rate order for a wood-fired IPP expired in 2008.

Q. Please provide an overview of stranded cost recovery during the 13-month reporting period ending January 31, 2019.

A. During the reporting period, 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 at January 31, 2019. See Attachment ELM-3, page 1.

Q. What are the final results for the SCRC in the 13-month reporting period ending January 31, 2019?

A. For the SCRC, the net balance as of January 31, 2019 is an under-recovery of $5.1 million as shown on Attachment ELM-3, page 1, line 5, 3rd column. This under-recovery primarily relates to Burgess costs $13.2 million higher than forecasted plus the $3.4 CSL contract settlement offset by a ($6.8) million RPS true-up, and ($4.1) million in ES REC revenue transfers that were both not forecasted for, and other items netting ($0.6) million compared to forecast.

Q. Please summarize your request to the Commission.

A. Eversource is requesting that the Commission approve the 2018 ES and SCRC reconciliations and find that Eversource's generation and purchased power costs were prudently incurred.

Q. Does this conclude your testimony?

A. Yes, it does.