

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 11-250

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

Investigation of Merrimack Station Scrubber Project and Cost Recovery

Order Granting Temporary Rates

ORDER NO. 25,854

December 22, 2015

APPEARANCES: Robert A. Bersak, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; Office of the Consumer Advocate by Susan W. Chamberlin, Esq., on behalf of residential ratepayers; and Suzanne Amidon, Esq., on behalf of Commission Staff.

This Order approves a temporary rate of 1.72 cents per kWh for recovery of costs associated with the Scrubber system at Merrimack Station. This is an increase from the current temporary rate of 0.98 cents per kWh. The increase will take effect on January 1, 2016. The Commission approves the change to allow Eversource a more equitable recovery of the deferral associated with the Scrubber Project and to avoid rate shock in the event that a full recovery of the deferral is eventually allowed.

In separate orders, the Commission approved adjustments to Eversource's energy service rate and stranded cost recovery charge (SCRC). With all changes approved today, monthly bills for Eversource's residential default energy service customers (i.e., those who have not elected to receive electricity service from a competitive supplier) will increase on average by 4.7%. The typical residential customer taking energy service from Eversource uses 625 kWh per month. This typical customer's monthly bill will increase from \$110.59 to \$115.79.

I. PROCEDURAL HISTORY

On November 2, 2015, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) filed a motion to amend the temporary rate used to recover costs associated with the installation of a wet flue gas desulfurization (Scrubber) unit at Merrimack Station.¹ With its filing, Eversource provided a supporting affidavit and related attachments. Eversource made the filing pursuant to RSA 378:27, which authorizes the Commission to set temporary rates pending an outcome in a permanent rate case, and RSA 125-O:18, which allows Eversource to recover the costs of the Scrubber through default energy service rates. Eversource requested that the Commission adjust the temporary Scrubber cost recovery rate from 0.98 cents per kilowatt hour (kWh) to 1.72 cents per kWh, effective with service rendered on and after January 1, 2016.

An adjustment to the temporary Scrubber cost recovery rate is one term of the 2015 Settlement Agreement filed on June 10, 2015, in this docket and in Docket No. DE 14-238, *Determination Regarding Public Service Co. of N.H. Generation Assets*. The 2015 Settlement Agreement addresses numerous issues relating to the continued ownership and operation of Eversource's generating facilities. It also provides a plan for Eversource to divest itself of those facilities. The 2015 Settlement Agreement anticipated that the Commission's review would be complete by the end of December 2015. The proceeding has been delayed, and Eversource requests the temporary cost recovery rate to be amended to allow the Company to recover the costs of the Scrubber as well as some of the deferral that has accumulated since temporary rates were put in place in 2012.

¹ Eversource originally proposed to change the temporary Scrubber recovery rate in its default energy service rate proceeding. See September 28, 2015, filing in Docket No. DE 15-415, *Petition for Adjustment to 2016 Energy Service Rates*. Eversource subsequently changed its request in Docket DE 15-415 to remove the Scrubber rate change.

On November 12, 2015, the Office of Energy and Planning filed a letter in support of Eversource's motion. The Commission issued a supplemental order of notice on November 19, 2015, scheduling a merits hearing on December 16, 2015.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

Eversource said that the temporary rate of 0.98 cents per kWh approved in Order No. 25,346 (April 10, 2012) was intended to be in place for no more than one year but has been in effect for three and one-half years. Because the temporary rate does not recover Eversource's calculation of the full costs of the Scrubber, the amount of deferred costs projected by Eversource has grown. Eversource has projected that deferred costs will be approximately \$123.3 million by the end of December 2015.

The Commission conducted seven days of hearing on the prudence of the Scrubber costs in October and November 2014. On December 26, 2014, Eversource requested that the Commission stay the docket. At that time, Eversource wanted to attempt to resolve myriad issues through collaboration with other interested parties. The Commission granted the request to stay the proceedings on January 15, 2015.

Eversource and other parties filed the 2015 Settlement Agreement with the Commission on June 10, 2015. The relevant portion of the 2015 Settlement Agreement provided that, effective January 1, 2016, the temporary rate for recovery of costs of the Scrubber would be changed to recover all costs of the Scrubber incurred by Eversource, along with a return on those costs. The 2015 Settlement Agreement also provided that the Scrubber costs previously deferred by Eversource would be included in rates, amortized over a period of seven years.

According to Eversource, if this requested change in temporary rates is not approved, the economics forming the foundation for the 2015 Settlement Agreement will be adversely affected. Eversource said that delaying or denying the change to the temporary rate level would add to the total amount of the deferred costs relating to the Scrubber. Eversource projects that if the rate change were made in July 2016, for example, the deferral would grow by an additional \$10 million. Eversource avers that this would ultimately increase the level of stranded costs to be recovered from customers. The Company claims that approval of the requested change in temporary rates would retain the status quo and no advantage or harm would accrue to any party due to the fully reconciling nature of temporary rates.

Given the economic circumstances surrounding the 2015 Settlement Agreement and the Scrubber, Eversource argues that it is reasonable and appropriate for the Commission to adjust the temporary rate level for the Scrubber to permit full cost recovery. Eversource emphasizes that, as with any temporary rate, the rate will ultimately be reconciled with any permanent rate as determined by the Commission. See Order No. 25,346 at 26.

Eversource said that it is authorized to represent that Senator Jeb Bradley, Senator Dan Feltes, the Office of the Consumer Advocate, Anne Ross and Tom Frantz of Commission Staff, TransCanada Power Marketing LTD and TransCanada Hydro Northeast Inc., and the Conservation Law Foundation (parties to the 2015 Settlement Agreement) all concur in the relief sought in the motion.

B. Office of Energy and Planning

The Office of Energy and Planning (OEP) noted that it is not an intervenor in the instant docket, but offered public comment in support of Eversource's motion to amend the temporary Scrubber cost recovery rate. The OEP stated that amending the temporary rate to include full

Scrubber cost recovery, including recovery of the deferral, will reduce the total costs paid by customers by ending the continued growth of the deferral and beginning to pay down the current deferred balance. OEP cited rate shock as a reason for increasing the temporary Scrubber cost recovery rate. Allowing the deferral to continue to grow could result in a larger rate increase in the future, should full recovery of the Scrubber be approved by the Commission. Further, because temporary rates are fully reconcilable, ratepayers will be made whole if the Company over-recovers under the temporary rate. The OEP urged the Commission to approve Eversource's petition.

C. OCA

The OCA agreed that it would be appropriate to begin recovery of a portion of the Scrubber deferral as proposed by Eversource. The OCA expressed support for the petition and recommended that the Commission approve Eversource's proposal.

D. Staff

Staff said that Eversource introduced sufficient information in the record to support its request for an adjustment. Staff also noted that the proposed rate of 1.72 cents per kWh is only 0.74 cents higher than the current temporary rate of 0.98 cents per kWh. Given what it considered to be a relatively modest increase in Eversource's default energy service rate for January 1, 2016, Staff opined that commencing full cost recovery at the beginning of 2016 is in ratepayers' interest. Staff recommended that the Commission approve the petition.

III. COMMISSION ANALYSIS

RSA 378:27 requires the Commission to set temporary rates at a reasonable level:

... sufficient to yield not less than a reasonable return on the cost of the property of the utility used and useful in the public service less accrued depreciation, as shown by the reports of the utility filed with the commission, unless there appears to be reasonable ground for questioning the figures in such reports.

The standard by which we approve temporary rates is “less stringent” than the standard for permanent rates. *Appeal of the Office of Consumer Advocate*, 134 NH 651, 660 (1991). In determining just and reasonable rates, “[we] must balance the consumers’ interest in paying no higher rates than are required with the investors’ interest in obtaining a reasonable return on their investment.” *Appeal of Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994).

We have reviewed the record and find that it is appropriate at this time to amend the temporary Scrubber cost recovery rate. We make this finding because, as pointed out by parties at the hearing, the deferral continues to grow, and if it is allowed to continue to accrue, costs to customers may further increase. Given the growth of the potential deferral and the fact that temporary rates are reconcilable, we find that the temporary rate proposed by Eversource of 1.72 cents per kWh for recovery of Scrubber costs is just and reasonable pursuant to RSA 378:5 and is in the public interest. We therefore approve the rate for effect with services rendered on and after January 1, 2016.

Any conclusions we reach today should not be interpreted as final judgment regarding the 2015 Settlement Agreement or the appropriate permanent Scrubber cost-recovery rate. Because temporary rates for the recovery of Scrubber costs are reconcilable, any over- or under-recovery will be appropriately allocated between ratepayers and shareholders as we may ultimately determine in our final decisions in this proceeding and in DE 14-238.

Based upon the foregoing, it is hereby

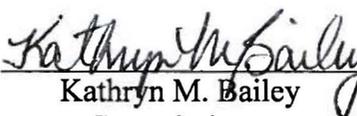
ORDERED, that the motion by Public Service Company of New Hampshire d/b/a Eversource Energy to increase the temporary Scrubber cost recovery rate from 0.98 cents per kWh to 1.72 cents per kWh is hereby APPROVED; and it is

FURTHER ORDERED, that Eversource Energy shall file a tariff conforming to this Order within 20 days hereof pursuant to New Hampshire Admin. Code Puc 1600.

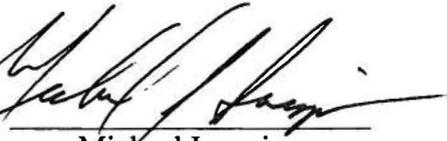
By order of the Public Utilities Commission of New Hampshire this twenty-second day of December, 2015.



Martin P. Honigberg
Chairman

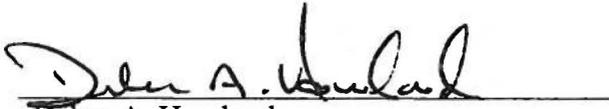


Kathryn M. Bailey
Commissioner



Michael Iacopino
Special Commissioner

Attested by:



Debra A. Howland
Executive Director