

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-023

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

Petition to Adjust Stranded Cost Recovery Charge

Order Approving Adjustment to Stranded Cost Recovery Charge

ORDER NO. 26,164

July 31, 2018

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 Suzanne G. Amidon, Esq., on behalf of Commission Staff.

In this order, the Commission approves an increase in the stranded cost recovery charges for Eversource customers for services rendered on and after August 1, 2018. The average rate for residential customers will increase from 1.862 cents per kWh to 2.053 cents per kWh. The stranded cost recovery charge is one component of an Eversource customer's electricity bill. The update to this charge, combined with changes to the Company's energy service rate approved in Order No. 26,147 (dated June 15, 2018), and transmission cost adjustment mechanism approved in a separate order issued today, all for effect August 1, 2018, are discussed below.

I. PROCEDURAL HISTORY

On June 15, 2018, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) filed a petition to adjust its Stranded Cost Recovery Charge (SCRC) for the six-month period beginning August 1, 2018. The SCRC recovery mechanism was initially established pursuant to the Agreement to Settle PSNH Restructuring in Docket

No. DE 09-099 (Restructuring Agreement). The Restructuring Agreement defined the stranded costs of PSNH, now known as Eversource, and separated them into three different categories – Part 1, Part 2, and Part 3. The original costs associated with Part 1 and Part 3, as established in the Restructuring Agreement, have been fully recovered. In recent years, the costs recovered through the SCRC rate mechanism have been Part 2 costs, which are “ongoing” stranded costs, consisting primarily of the over-market value of energy purchases from independent power producers (IPPs), and the amortization of payments previously made from the IPP buy-downs and buy-outs approved by the Commission.

The SCRC rate calculation includes refunds from the Regional Greenhouse Gas Initiative (RGGI). *See Electric Utilities and Competitive Electric Service Providers*, Order No. 25,664 (May 9, 2014). Pursuant to RSA 125-O:23, II and Order No. 25,664, RGGI auction proceeds in excess of \$1.00 per allowance are rebated to all retail electric ratepayers.

In Order No. 25,920 (July 1, 2016), the Commission approved the 2015 Restructuring and Rate Stabilization Agreement (Divestiture Agreement), which provided for the divestiture of Eversource’s generation assets and recovery of stranded costs associated with divestiture. A portion of the costs are securitized and are recovered through Rate Reduction Bonds (RRBs) as new Part 1 stranded costs. The remaining non-securitized costs are included in Part 2 stranded costs. The Commission authorized Eversource to begin recovery of these new stranded costs on April 1, 2018. The current average residential SCRC rate is 1.862 cents per kilowatt hour (kWh). *See* Order No. 26,116 at 6 (March 29, 2018).

Eversource’s June 15 filing included testimony and related exhibits to support a change in the SCRC rate for the six-month period beginning August 1, 2018. Eversource initially projected a new average residential SCRC rate of 2.032 cents per kWh. Eversource updated its

calculation of the rate on July 3, 2018, and requested approval of an increase of the SCRC rate. The proposed average residential rate will increase from 1.862 cents per kWh to 2.053 cents per kWh.

The Office of Consumer Advocate (OCA) participated in this docket pursuant to RSA 363:28. A hearing was held on July 15, 2018. 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/2018/18-023.html>.

II. POSITIONS

A. Eversource

When the Commission issued Order No. 26,116 on March 29, 2018, the process to securitize certain divestiture costs was incomplete. Securitization is now complete and the actual associated costs are higher than forecast, resulting in an increase in Part 1 RRB charges.

Eversource testified that Part 2 costs continue to include all costs and market revenues associated with the existing IPPs. In addition, pursuant to the Divestiture Agreement, Part 2 costs now include: (1) the costs and market revenues associated with the Burgess and Lempster purchase power agreements, (2) energy service under-recovery, (3) miscellaneous ISO New England (ISO) resettlement costs, (4) loss on sales of renewable energy certificates, (5) a one-time return on the stranded thermal assets, (6) amortization of the scrubber deferral, (7) excess deferred income taxes associated with the reduction in federal corporate income tax rate, and (8) payments in lieu of taxes. According to Eversource, the increase in Part 2 costs was due to higher ISO resettlement costs for May, higher forecast resettlement costs for the remainder of 2018, and higher actual costs associated with the Burgess and Lempster purchase power

agreements. Eversource said it will reconcile actual costs and revenues when those items are known.

According to Eversource, the Divestiture Agreement provides that additional costs will be included in Part 2 once those costs are known. Such costs, in addition to payments in lieu of taxes, include ongoing employee retirement costs, true-up of actual to forecast from the sale of certain renewable energy certificates associated with the Northern Wood Power Project, and any divestiture costs not included in the securitization.

Pursuant to the Divestiture Agreement, Eversource developed specific SCRC rates by allocating costs among its customer classes. Those allocations require residential customers to pay 48.75 percent of the stranded costs, resulting in an average residential SCRC rate of 2.053 cents per kWh, a ten percent increase over the current residential SCRC rate of 1.862 cents per kWh. The next SCRC adjustment is scheduled for February 1, 2019.

At the hearing, the Commission asked Eversource to compare the proposed rates for effect August 1, 2018, through January 31, 2019, with rates in effect for the same period last year. Eversource produced a record request response (Exhibit 12) that compared monthly bills for residential customers taking energy service from Eversource between the two periods.¹ Exhibit 12 demonstrated that, for customers using 600 kWh per month, monthly residential bills for the period beginning August 1, 2018, will be 2.3 percent lower than rates for the same period in 2017.

¹ Coincident with the sale of its generation assets in January 2018, Eversource adjusted the period for which energy service rates are in effect. The rate period used for this comparison was in effect July 1 through December 31, 2017.

B. OCA

The OCA stated that Eversource's request to adjust the SCRC as provided in its July 3, 2018, filing resulted in just and reasonable rates and should be approved by the Commission.

C. Staff

Staff said that Eversource appropriately calculated the SCRC and recommended that the Commission approve the proposed SCRC.

III. COMMISSION ANALYSIS

RSA 378:7 authorizes the Commission to determine the just, reasonable, and lawful rates to be charged by public utilities. Any recovery of stranded costs "should be through a nonbypassable, nondiscriminatory, appropriately structured charge that is fair to all customer classes, lawful, constitutional, limited in duration, consistent with the promotion of fully competitive markets, and consistent with [restructuring] policy principles." RSA 374-F:3, XII(d). We find that Eversource's proposal to adjust the SCRC rate to reflect updated actual and estimated costs, including the impact of changes in the forecasted energy market prices, the RRBs, and the new SCRC stranded costs, is appropriate and results in just and reasonable rates as required by RSA 374:2 and RSA 378:7. On that basis, we approve the adjustment requested by Eversource in the updated filing.

This change, combined with changes to the Company's energy service and transmission cost adjustment mechanism rate,² all for effect August 1, 2018, will result in an overall increase in monthly bills, as compared with the current period. A more apt comparison however, is to rates in effect for the same period a year ago, because current energy service rates do not include

² See Dockets No. DE 18-002 and DE 18-089 for the energy service and TCAM filings, respectively.

any of the most expensive winter months. Over the past year Eversource has transitioned from providing energy service through its own generation to that of purchasing energy service through competitive bid as required by RSA Ch. 374-F. In addition, recovery of stranded costs associated with the scrubber³ were removed from the default energy service rate and are now included in the nonbypassable SCRC pursuant to RSA 369-B:3-a and RSA 374-F:3, XII. *See* Order No. 26,116 (March 29, 2018). As a result, when compared to rates in effect for the same period last year, the overall bill for default service customers will be slightly lower than last year. Residential customers using 600 kWh per month who take energy service from Eversource will see a decrease in their bill from \$124.51 to \$121.70; about 2.3 percent.

For customers taking service from a competitive supplier, the delivery portion of the monthly bill will decrease by approximately 1.6 percent compared to what they are currently paying. The delivery portion of the monthly bill, however, has increased from the same period last year because stranded costs related to the scrubber have been removed from the default energy service rate and are now included in the nonbypassable SCRC rate.

Based upon the foregoing, it is hereby

ORDERED, that Eversource's request, as modified on July 3, 2018, for approval of an adjustment to the SCRC rate is hereby **APPROVED** effective on a service-rendered basis beginning August 1, 2018; and it is

FURTHER ORDERED, that Eversource's allocation of stranded costs among the various customer classes is hereby **APPROVED**; and it is

³ The scrubber is the wet flue gas desulphurization system installed at Merrimack Station. The Commission considered cost-recovery of the scrubber investment in Docket No. DE 11-250 and in the Divestiture Settlement in Docket No. DE 14-238.

FURTHER ORDERED, that Eversource shall on an ongoing basis reconcile the estimated SCRC costs with actual costs, and include the reconciliation in subsequent resulting rates; and it is

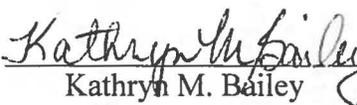
FURTHER ORDERED, that all costs shall be subject to a Staff Audit and that the accuracy and prudence of those costs will be reviewed in a subsequent proceeding; and it is

FURTHER ORDERED, that Eversource shall file conforming tariff pages pursuant to N.H. Code Admin. Rules Puc 1603, within 20 days of the date of this order.

By order of the Public Utilities Commission of New Hampshire this thirty-first day of July, 2018.



Martin P. Honigberg
Chairman



Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director