

**STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION**

**DE 18-182**

**PUBLIC SERVICE CO. OF NEW HAMPSHIRE D/B/A EVERSOURCE ENERGY**

**Petition for Adjustment to Stranded Cost Recovery Charge Rate**

**Order Approving Adjustment to Stranded Cost Recovery Charge Rate**

**ORDER NO. 26,215**

**January 28, 2019**

**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 adjustment to the Stranded Cost Recovery Charge for Eversource's customers. The approved rate excludes costs associated with the requirements of SB 365, which mandates that Eversource purchase power from eligible facilities located within its service territory, because there is no power purchase agreement currently in place for such purchases.

As a result of this order, the average Stranded Cost Recovery Charge rate for residential customers will change from 2.053 cents per kWh to 1.388 cents per kWh. The adjustment to this rate and the change to Eversource's energy service rate approved in Order No. 26,203 (December 27, 2018), take effect with services rendered on and after February 1, 2019. The result of both changes for residential customers using 600 kWh per month, and taking energy service from Eversource, is a decrease in monthly bills from \$122.16 to \$121.58 or a decrease of 0.5 percent, and a decrease from monthly bills received last year at this time by 1.7 percent.

## **I. BACKGROUND AND PROCEDURAL HISTORY**

On November 30, 2018, Public Service Company of New Hampshire d/b/a Eversource Energy (PSNH or Eversource) filed a petition to adjust its Stranded Cost Recovery Charge (SCRC) for the six-month period beginning February 1, 2019. The Office of the Consumer Advocate (OCA) filed a letter of participation on December 4, 2018.

The SCRC recovery mechanism was initially established pursuant to the 1999 Agreement to Settle PSNH Restructuring in Docket No. DE 99-099 (1999 Agreement). The 1999 Agreement defined the stranded costs and separated them into three categories — Part 1, Part 2, and Part 3. The original stranded costs associated with Part 1 and Part 3 have been fully recovered. In recent years, the only 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 IPP buy-downs and buy-outs approved by the Commission.

In *Public Service Company of New Hampshire d/b/a Eversource Energy*, Order No. 25,920 (July 1, 2016), the Commission approved the 2015 Restructuring and Rate Stabilization Agreement (2015 Agreement). The 2015 Agreement provided for the divestiture of Eversource’s generation assets and recovery of stranded costs associated with divestiture. Pursuant to the 2015 Agreement, a portion of the costs associated with divestiture are recovered through Rate Reduction Bonds (RRBs) as a new Part 1 stranded cost, to be recovered through the SCRC rate. The 2015 Agreement also included various new costs in the calculation of the Part 2 stranded cost rate. The SCRC rate currently includes Part 1 and Part 2 stranded costs.

On January 11, 2019, Eversource updated its calculation of the SCRC rate. In the update, Eversource proposed an average SCRC rate for residential customers of 1.887 cents per kilowatt

hour (kWh), a reduction from the current rate of 2.147 cents per kWh, excluding the credit associated with the Regional Greenhouse Gas Initiative.<sup>1</sup> At hearing, the Commission issued a record request related to accounting of the costs of RRBs (designated as Exhibit 4).

In both the original filing and in the update, Eversource's proposed SCRC rate included costs associated with the requirements of Chapter 379 of the Laws of 2018 (SB 365), which mandates that Eversource purchase power from eligible facilities located within its service territory.<sup>2</sup> Post hearing, the Commission issued a record request (designated as Exhibit 5) for revised copies of Exhibits 2 and 3, to demonstrate the calculation of the revenue requirement and the resulting SCRC rate without the revenue requirement associated with the cost of power purchases required by SB 365. Eversource provided responses to both record requests on January 18, 2019.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested or granted by the Commission, are posted on the Commission's website at <http://www.puc.nh.gov/Regulatory/Docketbk/2018/18-182.html>.

## **II. POSITIONS OF THE PARTIES AND STAFF**

### **A. Eversource**

Eversource explained that new RRBs were issued in May 2018 and are included as Part 1 costs in the SCRC rate. Eversource said that it files the RRB true-up results annually, in January. These Part 1 RRB costs may change effective with services rendered as of February 1 of each year. Eversource testified that the costs of the RRBs will decrease on February 1, 2019, from an average residential RRB rate of 1.338 cents per kWh to 0.948 cents per kWh.

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<sup>1</sup> Pursuant to RSA 125-O:23 and Order No. 25,664, Eversource returns RGGI auction proceeds in excess of \$1.00 per allowance to all retail customers.

<sup>2</sup> See Order No. 26,028 (January 11, 2019) for an explanation of the terms of Senate Bill 365.

Part 2 costs continue to include all costs and market revenues associated with the existing IPPs and the amortization of payments previously made for IPP buy-downs and buy-outs as approved by the Commission. In addition, Part 2 costs now include (1) the costs and market revenues associated with the Burgess and Lempster purchase power agreements (PPAs); (2) miscellaneous ISO New England costs; (3) losses on sales of renewable energy certificates purchased pursuant to the Burgess and Lempster PPAs; (4) excess deferred income taxes associated with the reduction in federal corporate income tax rates; and (5) payments in lieu of taxes. In addition, the 2015 Agreement authorizes Eversource to recover prudently incurred decommissioning, environmental, and other residual costs or liabilities related to the divestiture of generation assets, through Part 2 of the SCRC. The Part 2 SCRC rate in this filing does not include any payments in lieu of taxes or decommissioning costs as provided by the 2015 Agreement, because Eversource has not yet fully accounted for those costs. The SCRC rate calculation includes refunds from RGGI, which is a credit of 0.134 cents per kWh to customer rates.

Eversource attributed the proposed decrease to SCRC rates to a decrease in February 1, 2019, RRB charges from the current RRB charges, and the removal of the non-scrubber energy service under-recovery, which is part of the current SCRC Part 2 rate. Eversource said the latter reduction would be almost entirely offset by the inclusion of the estimated new above-market costs associated with the purchase from eligible facilities under Senate Bill 365. Eversource estimated that the total cost of complying with the requirements of SB 365 for the six-month period beginning February 1, 2019, would be approximately \$11 million.

Eversource explained that, historically, there was a single average SCRC rate that was applied to all customers. As part of the 2015 Agreement, the SCRC revenue requirement is now

allocated to each rate class according to the following percentages: 48.75 percent to residential customers Rate R, 25 percent to general service customers Rate G, 20 percent to primary general service customers Rate GV, 5.75 percent to large general service customers Rate LG, and 0.50 percent to outdoor lighting customers Rate OL. Applying this allocation methodology means that there is no longer a single average SCRC rate for all customers.

Based on the revenue requirement calculated in the January update and the allocation percentages described above, Eversource estimated that residential customers would pay an average SCRC rate of 1.887 cents per kWh, a decrease from the current rate of 2.147 cents per kWh. With the RGGI credit of 0.134 cents per kWh added in, the resulting rate for residential customers would have been 1.753 cents per kWh, including the SB 365 costs.

The average SCRC rates for customer classes under the January update, prior to including the RGGI credit, were proposed as follows:

<u>Rate Class</u>	<u>Average SCRC Rates (with SB 365 costs)</u>
Rate R	1.887 cents per kWh
Rate G	1.760 cents per kWh
Rate GV	1.488 cents per kWh
Rate LG	0.522 cents per kWh
Rate OL	2.126 cents per kWh

Because Eversource and the Wood IPPs had not entered into purchase power agreements, Eversource was asked at hearing whether it had calculated the SCRC rates excluding the costs associated with SB 365. Eversource provided the following average SCRC rates by customer class, prior to including the RGGI credit:

<u>Rate Class</u>	<u>Average SCRC Rate (without SB 365 costs)</u>
Rate R	1.522 cents per kWh
Rate G	1.415 cents per kWh
Rate GV	1.198 cents per kWh
Rate LG	0.420 cents per kWh
Rate OL	1.720 cents per kWh

On January 18, 2019, Eversource filed Exhibit 5, a response to the Commission's record request for updated exhibits showing the calculation of the SCRC rate without the costs associated with SB 365. Exhibit 5 confirmed that the average residential SCRC rate (excluding the RGGI credit) for residential customers would decrease from 1.887 cents per kWh to 1.522 cents per kWh. With the RGGI credit, the average residential SCRC rate, which includes Part 1 and Part 2 costs, would be 1.388 cents per kWh, a reduction from the 1.753 cent rate per kWh provided by Eversource in its January 11 filing. The result for a residential customer using 600 kWh per month and taking energy service from Eversource would be a decrease in monthly bills beginning February 1, 2019, as compared with bills for the one-month period beginning January 1, 2019, from \$122.16 to \$121.58 (0.5 percent lower), and a 1.7 percent decrease from monthly bills received last February.

The result for residential customers using 600 kWh per month taking energy service from a competitive supplier would be a decrease in delivery service beginning February 1, 2019, as compared with bills for the one-month period beginning January 1, 2019, from \$65.69 to \$61.67 (3.3 percent lower). When compared to the same period last year, however, delivery service for those customers will increase from \$56.14 to \$61.67, due to the increase in nonbypassable stranded costs resulting from the 2015 Restructuring and Rate Settlement Agreement.

**B. OCA**

The OCA insisted that Eversource should not be permitted to seek recovery of the costs associated with SB 365 through the SCRC rate until the constitutionality of the statute is determined. The OCA said that, other than including the SB 365 costs, Eversource had appropriately calculated its costs and that the SCRC rate should be approved without the SB 365 costs.

**C. Staff**

Staff said that it had reviewed the filing and that the updated calculation resulted in just and reasonable rates. Staff stated that, should the Commission decide to exclude the recovery of SB 365 costs from the SCRC rates for effect February 1, Eversource could update the SCRC through an expedited process before the Commission if Eversource and the eligible facilities enter into a power purchase agreement at a later time.

**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 have reviewed the filing, the January 11 update, and the revised calculation of the SCRC provided by Eversource post hearing (Exhibit 5). Eversource acknowledges that it has not entered into any agreements under SB 365. We find that excluding the SB 365 costs from the calculation of the SCRC at this time results in just and reasonable rates. On that basis, we

approve the rates for the SCRC that Eversource provided in Exhibit 5. We find that Eversource appropriately calculated the SCRC rate to reflect updated actual and estimated costs, including the impact of changes in the forecasted market prices, the RRBs, and the new SCRC stranded costs. We also find that the resulting rates are just and reasonable as required by RSA 374:2 and RSA 378:7. In the event that Eversource and the eligible facilities enter into agreements under SB 365, we will use an expedited process to review and determine whether and how to update the SCRC rate.

At hearing, Staff inquired about the inconsistencies with information presented between the RRB True-Up Letter (Attachment CJG-6, testimony of Christopher J. Goulding), and the information presented in the technical statement regarding the RRBs. Those inconsistencies required further explanation. To avoid this issue in future cases, we direct Eversource to work with Staff to develop a form RRB True-Up Letter that provides information in substance and format that parties can readily understand.

The changes approved here, combined with changes to Eversource's energy service rate,<sup>3</sup> all for effect February 1, 2019, will result in an overall decrease in monthly bills, as compared with the current period. For example, a residential customer using 600 kWh per month and taking energy service from Eversource will see a 0.5 percent decrease in their monthly bill from \$122.16 to \$121.58, and a 1.7 percent decrease from monthly bills received last February.

The changes to Eversource's energy service rate approved in December do not affect customers who are purchasing energy from a competitive supplier. For a residential customer using 600 kWh, the lower SCRC rate approved in this order will result in a \$4.01 decrease in the

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<sup>3</sup> See Order No 26,203 (December 20, 2018), an Order approving and energy service rate of 9.985 cents per kWh for effect for the six-month period beginning February 1, 2019.

delivery portion of the customer's monthly bill, or 3.3 percent, when compared to rates currently in effect.

**Based upon the foregoing, it is hereby**

**ORDERED**, Eversource's average SCRC rate, including the RGGI adder, for effect on a service-rendered basis for the six-month period beginning February 1, 2019, as depicted in Exhibit 5 is hereby APPROVED; and it is

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

**FURTHER ORDERED**, that Eversource shall on an ongoing basis reconcile the estimated Part 2 SCRC costs with actual costs, and include the reconciliation in subsequent rate calculations; and it is

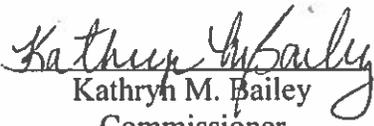
**FURTHER ORDERED**, that all Part 2 SCRC costs shall be subject to Staff Audit and that the accuracy and prudence of those costs will be reviewed in a subsequent proceeding; and it is

**FURTHER ORDERED**, that Eversource shall work with Staff on the development of a form RRB True-Up Letter that explains the differences between the RRB True-Up and the calculation of the RRB rate; and it is

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

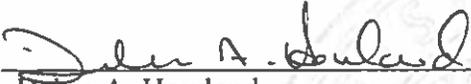
By order of the Public Utilities Commission of New Hampshire this twenty-eighth day of  
January, 2019.

  
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Martin P. Honigberg  
Chairman

  
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Kathryn M. Bailey  
Commissioner

  
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Michael S. Giaimo  
Commissioner

Attested by:

  
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Debra A. Howland  
Executive Director

