

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 20-005

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

Audit of Divestiture-Related Costs

Order Approving Stranded Cost Recovery Following Divestiture

ORDER NO. 26,434

December 17, 2020

APPEARANCES: Daniel P. Venora, Esq., of Keegan and Werlin, LLP, and Jessica A. Chiavara, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; D. Maurice Kreis, Esq., for the Office of the Consumer Advocate, on behalf of residential rate payers; and F. Anne Ross, Esq., on behalf of Commission Staff.

This order approves an additional \$12,006,854 in stranded costs to be recovered by Eversource over a one year period beginning on February 1, 2021. This amount is designed to recover costs, in excess of the rate reduction bonds, incurred during divestiture of the Eversource generating facilities and will be added to the stranded cost reconciliation to be filed in December 2020. For residential class customers, the resulting average additional Stranded Cost Recovery Charge will be 0.184 cents per kWh.

I. PROCEDURAL HISTORY

On November 27, 2019, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) filed a motion to begin the audit of Eversource's stranded costs following divestiture (Motion). Along with the Motion, Eversource pre-filed testimony of Robert Bersak concerning the divestiture process and related transactional costs, as well as testimony of Catherine Finneran concerning the removal of two mercury boilers and associated equipment from Schiller Station in Portsmouth.

The Motion requested that the Commission “initiate an audit of the Company’s rate-reduction bond (RRB) transaction, including the principal amount financed and total divestiture-related costs, to enable recovery of such costs as prudent divestiture-related costs.” Motion at 2. The Office of the Consumer Advocate (OCA) filed a letter of participation on January 28, 2020. No other parties requested intervention.

In its Order of Notice, the Commission stated that the Motion “raises, *inter alia*, issues related to whether the divestiture-related costs are accurately accounted for and whether those costs represent prudent and reasonable costs as required by RSA Chapter 374-F, RSA Chapter 369-A, RSA Chapter 369-B, RSA 378:7, and RSA 378:28.” Order of Notice at 2. The Commission further stated that this docket would “determine the full amount of prudently incurred stranded costs resulting from divestiture, but will not set the stranded cost recovery rate.” *Id.*

Staff issued its final audit report on May 15, 2020, (Staff Audit Report) consisting of a detailed analysis and findings. Following issuance of the Staff Audit Report, the parties began discovery comprised of two rounds of data requests, two technical sessions, and settlement discussions. On October 1, 2020, the parties submitted a Settlement Agreement proposing to settle all issues in this docket.

The Motion 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/2020/20-005.html>.

II. BACKGROUND

In *Public Service Company of New Hampshire d/b/a Eversource Energy*, Order No. 25,920 (July 1, 2016) (Divestiture Order), the Commission approved the 2015 Restructuring and Rate Stabilization Agreement (2015 Agreement). The Divestiture Order directed the

Company to “begin the process of divesting its generation assets, as contemplated by HB 1602, SB 221, RSA Chapter 374-F, and allied statutes, subject to the conditions delineated in the Settlement Agreements and described in this Order.” Divestiture Order, at 2; *see also* Laws 2014, ch. 310 and Laws 2015, ch. 221.

As described by the Commission, the 2015 Settlement Agreement presented a comprehensive approach to divestiture of Eversource’s generation assets. The terms of the 2015 Settlement Agreement included provisions for issuance of securitized RRBs and default service, and “the technical specifics of the process for divestiture . . . including the retention of an auction expert (Auction Advisor), the oversight of the Commission throughout the process . . . , [and] the approvals expected to be required by Eversource in connection with the divestiture transactions.” Divestiture Order at 36 – 40. The 2015 Settlement Agreement also provided for the recovery of stranded costs associated with divestiture, with a portion of the costs securitized through RRBs and recovered through the stranded cost recovery charge (SCRC) as new Part 1¹ stranded costs.

On October 21, 2016, the Commission issued Order No. 25,956 in Docket No. DE 16-817 (“Schiller Order”) determining that the removal of the two mercury boilers from Schiller Station should go forward, as recommended by J. P. Morgan. As Auction Advisor, J. P. Morgan determined “that the form of transaction agreement, particularly those terms that relate to environmental liabilities, can be structured materially more favorably to Eversource and, ultimately, rate payers if the removal is undertaken in conjunction with the auction process as opposed to the mercury boilers remaining at the Schiller facility.” Schiller Order at 3 - 4. The Commission found “that undertaking the proposed removal of the two mercury boilers and

¹ Eversource calculates its stranded costs in two components. The first, Part 1, collects all expenses required to repay the RRBs. Part 1 is reconciled periodically to insure that the RRBs and any associated carrying charges are paid down on schedule. The second component, Part 2, collects over-market costs of purchase power agreements. Eversource requests that the additional stranded costs resulting from divestiture be collected and reconciled in the Part 2 component of its stranded costs.

related equipment from the Schiller generation station is prudent within the framework of the divestiture auction. We will monitor the manner in which Eversource conducts the removal to ensure that the removal is prudently managed.” *Id.* at 8.

Eversource’s generation facilities were subsequently sold at auction. The Commission approved the sale of Eversource’s fossil fleet in Order No. 26,078 (November 28, 2017), and that sale closed on January 10, 2018. The Commission approved the sale of Eversource’s hydro fleet in Order No. 26,080 (November 29, 2017), and that sale closed on August 24, 2018. The removal of mercury boilers and associated equipment at Schiller Station was completed on March 31, 2019.

The Commission approved Eversource’s securitization of a principal amount of up to \$690 million of RRBs to recover the divestiture-related costs. Order No. 26,099 (January 30, 2018) (Finance Order). The Company issued its RRBs on May 8, 2018, in the aggregate principal amount of \$635,663,200. This principal amount was based on Eversource’s estimate of divestiture-related costs including mercury removal costs, unrecovered deferrals, transaction costs, tax stabilization payments, employee protections, and other costs as provided by the 2015 Settlement Agreement. The costs of the RRBs are now included in the Part 1 stranded costs.

In the Finance Order, the Commission directed Commission Audit Staff to “engage in an Audit of the RRB Transaction process, and the various amounts included in the determination of the principal amount financed.” Finance Order at 56. In addition, the Commission ordered “that in the event the Commission approves any adjustment to the costs to be recovered by PSNH following a Commission Audit and adjudication, those adjustments shall be made through Part 2 of the Stranded Cost Recovery Charge.” *Id.*

III. POSITIONS

a. Eversource

In its Motion, the Company claimed that actual divestiture-related costs totaled \$654,046,809, as compared to the RRB issuance amount of \$635,663,200, leaving an unrecovered balance of \$18,383,609 after recovery from the RRBs. The Company proposed to recover this additional balance over one year through the Part 2 SCRC.

According to Eversource, although the vast majority of generation-related costs have been booked and dealt with, some additional costs related to the Company's generating assets continue to occur. For example, on March 4, 2019, a year after the sale of the Thermal assets, the Sierra Club and Conservation Law Foundation filed a "citizen suit" under the Clean Water Act in the U.S. District Court for the District of New Hampshire. The suit relates to the Merrimack Generating Station located in Bow, and names PSNH and Granite Shore Power as defendants. There are also a handful of other generation-related matters that remain pending, and there may be future costs that are currently unknown. Nonetheless, at hearing Eversource indicated that future costs associated with its former generation fleet are unlikely. Eversource plans to request recovery of any such costs as Part 2 stranded costs in the Company's future SCRC filing requests.

Regarding the removal of the two mercury boilers located at Schiller Station, the Company began work on the project shortly after the Commission issued the Schiller Order, approving the Company's request to undertake the project. Asbestos abatement, demolition, and offsite disposal of Schiller Units 1 and 2 and restoration of the post-demolition site was substantially complete on March 31, 2019. Sampling and risk assessment activities continued through June 2019. The total direct cost of the project was \$48.433 million.

Eversource concluded by stating that it has complied with its obligations under the 2015 Settlement Agreement, as well as the various orders issued by the Commission, and the legislative enactments from 1995 through 2015 involving the sale of the generating business.

b. Staff

Staff reviewed the Company's initial filing and the Staff Audit Report and determined that some additional adjustments to the amount of stranded costs were needed. Staff subsequently reached a settlement with Eversource and OCA, the terms of which are described below. Staff recommended approval of the proposed stranded cost amounts in the Settlement Agreement and concluded the resulting rates are just and reasonable as required by RSA 374:2 and RSA 378:7.

c. OCA

The OCA also supported the Settlement Agreement.

IV. SETTLEMENT AGREEMENT

The Settling Parties agree that the Company's total costs eligible for securitization shall be \$647,670,054, representing a reduction of \$6,376,755 from the Company's divestiture-related costs identified in the Motion. This adjustment results in an unrecovered balance of \$12,006,854 after recovery in Part 1 stranded costs of the RRBs. The Settling Parties agree that the settlement adjustments contained in the Settlement Agreement result in total allowed divestiture-related costs that are just and reasonable.

The Settling Parties further agree that the unrecovered balance of divestiture-related costs of \$12,006,854 shall be allowed for recovery through Part 2 costs in the SCRC beginning in February 2021. The \$12,006,854 shall be recovered over a one-year period and allocated using a Part 2 allocation methodology consistent with the 2015 Settlement Agreement.

V. COMMISSION ANALYSIS

Even where the parties to a contested case have entered into a settlement agreement, we must “independently review the settlement to ensure that the result comports with applicable standards.” Public Service Company of New Hampshire d/b/a Eversource Energy, Order No. 25,920 at 64 (July 1, 2016); *see* N.H. Admin. Rules Puc 203.20(b) (“The commission shall approve a disposition of any contested case by stipulation [or] settlement ... if it determines that the result is just and reasonable and serves the public interest”). The Settlement Agreement in this docket represents the settling parties’ accord to implement the final step of the restructuring process for Eversource, consistent with applicable statute, and prior Commission orders. Accordingly, we review the Settlement Agreement for conformity with the directives in RSA Chapter, 374-F, and RSA Ch. 369-B. We must also find that the Settlement Agreement is reasonable and in the public interest.

Any recovery of stranded costs “should be through a non bypassable, 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). *See also*, RSA 378:7 (the Commission shall determine the just, reasonable, and lawful rates to be charged by public utilities).

We have reviewed the record in this docket in order to determine whether the divestiture-related costs are accurately accounted for and whether those costs represent prudent and reasonable costs as required by RSA Chapter 374-F, RSA Chapter 369-B, RSA 378:7, and RSA 378:28. We find that the Settlement Agreement results in recovery of only the prudently incurred and reasonable costs resulting from divestiture in accordance with applicable statutes and prior Commission orders. We will allow Eversource to recover an additional \$12,006,854

through its Part 2 SCRC. Recovery shall be over a one year period beginning on February 1, 2021, as provided in the Settlement Agreement.

For residential class customers, the resulting average additional Stranded Cost Recovery Charge will be 0.184 cents per kWh.

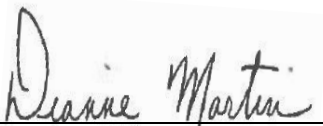
Based upon the foregoing, it is hereby

ORDERED, Eversource's recovery of an additional \$12,006,854 in its Part 2 SCRC, on a service-rendered basis for the twelve-month period beginning February 1, 2021, is hereby APPROVED; and it is

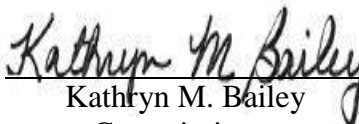
FURTHER ORDERED, that Eversource shall include the additional \$12,006,854 in its SCRC rate filing to be made in December 2020, with allocations to customer classes as shown in Attachment 2 of the Settlement Agreement; and it is

FURTHER ORDERED, that Eversource shall, on an ongoing basis, reconcile the Part 2 SCRC costs approved in this order with actual costs recovered, and include the reconciliation in subsequent rate calculations.

By order of the Public Utilities Commission of New Hampshire this seventeenth day of December, 2020.

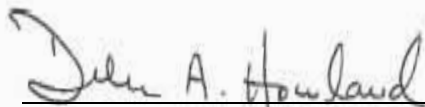


Dianne Martin
Chairwoman



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 20-005

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