

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 19-057

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

Petition for Permanent Rates

Order Approving Temporary Rates

ORDER NO. 26,265

June 27, 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; Primmer Piper Eggleston & Cramer PC, by Elijah D. Emerson, Esq., on behalf of Clean Energy New Hampshire; New Hampshire Legal Assistance, by Raymond Burke, Esq., on behalf of The Way Home; and Suzanne G. Amidon, Esq., on behalf of Commission Staff.

This order approves a temporary increase of \$28.3 million in the Company's annual distribution revenues. All Eversource customers, including those customers who take energy service from competitive suppliers, pay distribution rates. For residential customers, the distribution service charges will increase by 8.9 percent, effective on a service rendered basis on August 1, 2019. The change in distribution rates will coincide with other rate changes on August 1 that factor into a customer's monthly bill.¹ The increase in distribution rates, by itself, without including the additional rate changes, will cause the total monthly bill of a residential customer using 600 kWh of electricity to increase by 2.7 percent. The temporary rates will be subject to reconciliation based on the outcome of the permanent rate case.

¹ Eversource's stranded cost recovery charge rate and Eversource's transmission cost adjustment mechanism rate have not yet been set. The Commission previously approved new rates for Eversource's energy customers, also effective August 1. See Order No. 26,260 (June 13, 2019). Because not all of the rates have been set, the Commission cannot yet calculate the combined impact of all of the changes that will be in effect beginning August 1.

I. PROCEDURAL HISTORY

Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) filed a Notice of Intent to File Rate Schedules on March 22, 2019. On March 25, 2019, the Office of the Consumer Advocate (OCA) filed a letter of participation in this docket pursuant to RSA 363:28.

Eversource filed a petition for temporary rates on April 26, 2019, accompanied by the direct testimony and attachments of William J. Quinlan, Eric H. Chung and Troy M. Dixon (jointly), and Edward A. Davis. In its petition, Eversource requested a temporary increase in distribution service revenues of \$33 million, effective on July 1, 2019. Also on April 26, Eversource filed a notice of intent to file permanent rate schedules and a request to waive N.H. Code Admin. Rules Puc 1203.02, so that the Company could provide a single notice to its customers regarding both its request for temporary rates and its request for permanent rates.

On May 8, 2019, the Commission issued Order No. 26,250, which suspended Eversource's proposed temporary rate tariff pending further investigation and scheduled a Prehearing Conference and technical session for May 21. A temporary rate hearing was also scheduled for June 18. The Commission issued a secretarial letter on May 13, granting Eversource's request to waive Puc 1203.02. During the Prehearing Conference held on May 21, the Commission granted the petitions to intervene filed by Clean Energy New Hampshire (CENH) and The Way Home (TWH). On May 28, Eversource submitted its permanent rate filing seeking a permanent rate increase of approximately \$70 million.

The Commission subsequently approved the schedule agreed to by the parties at the technical session, which provided for a second technical session/settlement conference on June 5. On June 13, 2019, Eversource filed a settlement agreement on temporary rates (Settlement

Agreement), which Eversource, the OCA, TWH, and Commission Staff (collectively, the Settling Parties) signed. CENH did not object to the Settlement Agreement, but elected not to sign it.

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 <https://www.puc.nh.gov/Regulatory/Docketbk/2019/19-057.html>.

II. INITIAL FILING

In its temporary rate filing, Eversource requested an increase in distribution revenue of approximately \$33 million for effect on July 1, 2019. Eversource stated that the revenue collected under temporary rates would be subject to refund or recoupment based on the Commission's decision on its request for permanent rates. *See* RSA 378:29.

In its petition and supporting testimony, Eversource maintained that its current distribution rates are insufficient to cover the costs of providing safe and reliable service and to allow for a fair return on assets used for utility service. Direct Testimony of William J. Quinlan (Quinlan) at Page 20.² Eversource stated that there are three primary reasons for its temporary rate relief request. First, since its last general rate review proceeding filed in 2009, Docket No. DE 09-035, Eversource has made substantial investments in its distribution plant, which were not covered by previously approved annual step increases or offset by revenue growth. *Id.* at 16, 19, 25-26. Second, Eversource has incurred costs to change its accounting of certain vegetation management (VM) costs, as required by Order No. 26,112 (March 12, 2018). Quinlan at 19, 27-28. Third, Eversource incurred costs associated with major storms in 2017 and 2018, which far exceeded the annual funding level of its Major Storm Cost Reserve, resulting in

² Unless otherwise noted, all page references to testimony are to Bates page numbers.

a deficit of approximately \$68.5 million as of December 31, 2018. *Id.* at 19, 21, 26-27.

Eversource asserted that it is currently earning an approximate 7.72 percent return on equity (ROE) on its distribution system, well below the 9.67 percent ROE the Commission authorized in Order No. 25,123 (June 28, 2010). Petition ¶ 4.

Eversource stated that its request for a temporary increase in distribution revenue is based on a test year ending December 31, 2018, and calculated using an overall weighted cost of capital of 7.08 percent. Quinlan at 19, 29. The weighted cost of capital of 7.08 percent is lower than the 7.513 percent the Commission approved in Docket No. DE 09-035. Direct Testimony of Eric H. Chung and Troy M. Dixon at 73. In calculating its request, Eversource provided customers with a credit based on its tax savings under the 2017 federal Tax Cuts and Jobs Act. Quinlan at 19, 27-29. Eversource designed its proposed temporary distribution rates by adjusting the current distribution rates for each rate class on a uniform percentage basis. Direct Testimony of Edward A. Davis at 476. Under the temporary rates proposed by Eversource, an average residential customer using 600 kWh per month would have seen an increase of \$3.55 or 2.9 percent in their monthly bill. Davis at 480.³

III. SETTLEMENT AGREEMENT

The Settling Parties agreed to a \$28.3 million temporary increase in Eversource's base distribution rates effective July 1, 2019. That would result in an increase of approximately 2.7 percent in the monthly bill of a residential customer using 600 kWh of electricity, not taking into account other changes that will occur on August 1, 2019. They also agreed that Eversource would implement the temporary rate increase for service rendered on and after August 1, 2019, to coincide with changes to Eversource's energy service rate, stranded cost recovery charge rate,

³ This percentage does not take into consideration the other rate changes that will occur on August 1, 2019.

and transmission cost adjustment mechanism rate, all of which will take effect on August 1, 2019. To accommodate the one-month delay in implementing Eversource's proposed temporary rates, the Settling Parties agreed to allow Eversource to record a regulatory asset; and then, in general, amortize and bill the amount of the rate increase over the 11-month period beginning August 1, 2019. The July 1, 2019, effective date also would apply to credits to Eversource customers from the state and federal tax changes in accordance with Order No. 26,177 (September 27, 2018). Eversource would implement those credits on the same 11-month amortized schedule beginning August 1, 2019.

In addition to agreeing that Eversource would remove certain normalizing adjustments relied on in its temporary rate filing, the Settling Parties agreed to how Eversource would manage its unrecovered storm costs and VM costs. Under the Settlement Agreement, Eversource would amortize the approximately \$68.5 million in unrecovered storm costs over a 5-year period beginning August 1, 2019. Eversource would apply a carrying charge to the unrecovered storm costs equal to the embedded cost of long-term debt, which is currently 4.3 percent.

The Settling Parties agreed to cap Eversource's VM costs. From July 1 through December 31, 2019, Eversource would be allowed to spend up to \$7.7 million on certain VM activities. Eversource would spend no more than \$16.1 million from January 1 to December 31, 2019. The cap was determined by adding \$8.4 million – which represents half the amount the Commission authorized Eversource to spend in Order No. 26,206 under the Company's Reliability Enhancement Program for calendar year 2019 – to the \$7.7 million cap for July 1 to December 31, 2019. Further, Eversource would be permitted to spend up to \$6 million on VM activities from January 1 through June 30, 2020. Eversource's VM costs

would be capped at \$13.7 million for the period from July 1, 2019, to June 30, 2020. The Settling Parties agreed that Eversource would credit customers with any amounts that were not spent on VM during those periods. Moreover, they agreed that all of Eversource's VM activities would be subject to review during the permanent rate proceeding with the goal of establishing an appropriate level of VM activities, which would not be limited by the levels set in the Settlement Agreement.

IV. POSITIONS OF THE PARTIES

The Settling Parties recommended that the Commission approve the Settlement Agreement. CENH stated it had no objection to the terms of the Settlement Agreement. Eversource and Staff both testified that the Settlement Agreement is in the public interest, and that the resulting rates are just and reasonable.

V. COMMISSION ANALYSIS

A contested adjudicative proceeding may be resolved informally by stipulation, agreed settlement, consent order, or default at any time prior to the entry of a final decision unless precluded by law. RSA 541-A:31, V(a). The Commission shall approve the disposition of a contested proceeding by settlement "if it determines that the result is just and reasonable and serves the public interest." N.H. Code Admin. Rule Puc 203.20(b). In deciding whether to approve a settlement, the Commission must independently determine whether the result reached is consistent with applicable standards. *See Aquarion Water Co. of N.H., Inc.*, Order No. 26,245 at 10 (May 2, 2019).

RSA 378:27 requires the Commission to set "reasonable" temporary rates that "shall be 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 New Hampshire Supreme Court has stated that this standard is “less stringent” than the standard for permanent rates “in that temporary rates shall be determined expeditiously, without such investigation as might be deemed necessary to a determination of permanent rates.” *Appeal of Office of Consumer Advocate*, 134 N.H. 651, 660 (1991) (internal quotations and citation omitted).

We find that the temporary increase to distribution revenues proposed in the Settlement Agreement appropriately balances the interests of Eversource’s customers with the interests of its shareholders. For purposes of temporary rates, and the more limited investigation envisioned by RSA 378:27, we find that the record supports an increase in rates on a temporary basis. We also agree that it is appropriate to make the effective date of the temporary revenue increase July 1, 2019. Notwithstanding that effective date, to avoid potential customer confusion associated with changing rates in consecutive months and to align the rates approved in this order with other rate changes that will be effective August 1, the temporary rates will be implemented for service rendered on or after August 1, 2019.

Therefore, we approve the Settlement Agreement in its entirety. Consistent with RSA 378:29, the permanent rates approved in this docket will be reconciled back to July 1, 2019, the effective date of temporary rates. We will decide how any over- or under-recovery will be returned to or recovered from Eversource customers following a future determination of permanent rates.⁴

⁴ At the hearing, the Company’s witnesses provided testimony regarding the temporary rate specifically for outdoor lighting service customers and how reconciliation might work for those customers. As in all rate cases, we expect that parties and Staff will calculate a reconciliation using a methodology that will result in a fair allocation among all classes of customers.

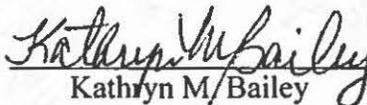
Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement is APPROVED, with temporary rates to be effective July 1, 2019, but implemented for service rendered on or after August 1, 2019; and it is

FURTHER ORDERED, that Eversource shall file properly annotated tariff pages consistent with the Settlement Agreement within 10 days of the date of this order, as required by N.H. Code Admin. Rules Part Puc 1603.

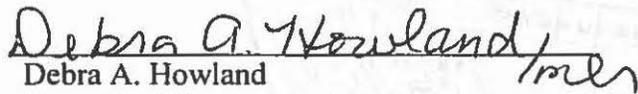
By order of the Public Utilities Commission of New Hampshire this twenty-seventh day of June, 2019.


Martin P. Honigberg
Chairman


Kathryn M. Bailey
Commissioner


Michael S. Giaimo
Commissioner

Attested by:


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