

April 26, 2019

Debra Howland
Executive Director
New Hampshire Public Utilities Commission
21 South Fruit Street, Suite 10
Concord, NH 03301-2429

**Re: Docket No. DE 19-057
Public Service Company of New Hampshire d/b/a Eversource Energy
Notice of Intent to File Rate Schedules – Permanent Rates**

Dear Director Howland:

On behalf of Public Service Company of New Hampshire d/b/a Eversource Energy (“PSNH” or the “Company”), enclosed herewith is an original and six copies of a Notice of Intent to File Rate Schedules pursuant to RSA 378:28 and N.H. Code of Admin. Rules 1604.05. As stated in the Notice, PSNH plans to submit a request for change in permanent base distribution rates with the New Hampshire Public Utilities Commission on or about May 28, 2019, seeking an overall increase in annual distribution revenue of approximately \$70 million based on a test year ending December 31, 2018, adjusted for known and measurable cost changes. The Company last filed for a base-rate increase in 2009.

The permanent rate filing will request an increase in overall distribution revenues of 2.4 percent in addition to the requested temporary rate change.

Reasons for PSNH’s Request for a Change in Permanent Rates

The Company’s requested \$70 million change in annual distribution revenues will represent the combination of the \$33 million in revenue associated with temporary rates and \$37 million of incremental revenue required to address the revenue deficiency relating to Company’s cost of service through the test year ending December 31, 2018.

The Company’s permanent rate filing will demonstrate that the distribution operating deficiency exists primarily due to the substantial amount of capital investment that PSNH has made as part of its efforts to upgrade the reliability and resiliency of system infrastructure, benefitting customers in day-to-day operations and during major storm events. Over the past 10 years, PSNH invested over \$1 billion to install and improve electric distribution facilities in the 211 cities and towns served by the Company in New Hampshire, much of which is not yet included in distribution rates. Therefore, the change in permanent rates is necessary to enable recovery of this investment.

PSNH's capital investment and associated vegetation-management work has yielded concrete improvements in key performance metrics for the direct benefit of PSNH's customers since the 2008 test year for the last distribution rate case. For example, from 2008 to 2018, the frequency of outages experienced by a typical customer was reduced by 36 percent; the system average duration of an interruption decreased by over 40 percent from 205.6 minutes to 119.9 minutes; and the average number of customers experiencing a system interruption decreased from 70 to 55, a 22-percent reduction. Where customer outages are reduced, public convenience and economic activity are heightened, creating a meaningful benefit for customers and the State of New Hampshire.

In addition, the Company's investment in distribution infrastructure is important for the New Hampshire economy and its many communities. For example, the Company's infrastructure upgrade, reinforcement and development efforts support local jobs and generate local property-tax revenue. The amount of property tax expense reflected in the cost of service has increased nearly 80 percent since the Company's last case in 2009, or by approximately \$21 million, representing 11 percent of the overall revenue requirement.

Capital investment is also the bridge to the future. PSNH has already invested approximately \$100 million over the past five years in automating the electric distribution system. This investment provides electric system control and visibility, which allows the Company's System Operations Center to remotely isolate faults and limit the frequency and duration of service outages. Further investment on targeted capital work will serve the interests of customers who pay for, and expect, safe, reliable and resilient service coupled with environmental awareness and storm preparedness.

Elements of Permanent Rate Filing

PSNH provides electric distribution service to more than 500,000 customers, representing over 70 percent of electric customers in the State of New Hampshire. The growing expectations of the Company's customer base for a high level of service reliability and the opportunity to integrate advanced energy solutions are overriding considerations for the Company's permanent rate filing.

Additional targeted and accelerated system investment would enable the Company to bring the overall distribution system up to a condition needed to achieve greater reliability, greater resiliency in major storm events and to support advanced clean energy solutions that have efficiency and environmental benefits for New Hampshire. Therefore, as part of the Company's permanent rate filing it will present a detailed discussion of the state of the system and the investment initiatives that would allow for greater resiliency and the integration of advanced clean energy technologies, including potential demonstration projects in its permanent rate filing.

Specifically, the Company's permanent rate filing will present the following initiatives for Commission consideration in the context of the permanent rate filing:

Grid Enablement and System Condition Investments: In the permanent rate filing, the Company will discuss a proposal to undertake a multi-year initiative to accelerate capital work

targeted at upgrading the condition of the distribution system for greater resiliency and the integration of advanced clean energy technologies. Within this initiative, the Company would have the ability to identify, plan and develop projects to meet customer demand for increased system integration of clean energy technologies in the future. The Company recognizes that there are near-term opportunities exist to undertake different types of demonstration projects, such as in the areas of energy storage and micro-grids, that would serve as important learning opportunities to meet this objective.

Income Taxes: The Tax Cuts and Jobs Act of 2017 reduced the Company's federal tax rate from 35 percent to 21 percent as of January 1, 2018. The reduction in tax rate lowered the Company's annual income-tax expense, but also lowered the amount of accumulated deferred income taxes to be maintained on the Company's books. Therefore, as part of the permanent rate proceeding, the Company will propose a refund of excess deferred income taxes amortized over an appropriate time period. Permanent rates will also reflect recent reductions in New Hampshire's business taxes.

Continuation of Recovery in Temporary Rates: The Company's request for temporary rates provides for the recovery of vegetation management expense consistent with the Commission's ruling in Docket No. DE 18-177. The Company will propose to adjust operating expense by approximately \$16,800,000 to account for the reclassification of vegetation management costs from capital to operations and maintenance expense. The Company's requested temporary rates also address recovery of the Company's accrued costs to restore power during inclement weather events, which far exceeded the storm reserve funding balance at the end of the test year. The Company's filing will propose to recover a storm-fund reserve deficiency of approximately \$68.5 million over a period of five years, consistent with precedent.

Please include the following individuals on the Commission's service list for this proceeding:

Robert A. Bersak, robert.bersak@eversource.com;
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If you have any questions, please do not hesitate to contact me. Thank you for your assistance with this matter.

Very truly yours,



Matthew J. Fossum
Senior Counsel

cc: DE 19-057 Service List

STATE OF NEW HAMPSHIRE
before the
PUBLIC UTILITIES COMMISSION

Public Service Company of New Hampshire d/b/a Eversource Energy

DE 19-057

Notice of Intent to File Rate Schedules

Pursuant to RSA 378:27 and N.H. Code of Admin. Rules 1604.05, Public Service Company of New Hampshire d/b/a Eversource Energy (“PSNH” or the “Company”) hereby provides notice of its intent to file with the New Hampshire Public Utilities Commission on or about May 28, 2019, rate schedules for permanent rates seeking an overall increase in annual distribution revenue of approximately \$70 million based on a test year ending December 31, 2018.¹

The Company’s rate filing will show that operating and maintenance expense as of December 31, 2018 reflects operational cost savings arising from the merger of Northeast Utilities and NSTAR and through rigorous cost control, resulting in test-year operating expense approximately \$12 million lower than incurred in 2012, the year of the merger. Therefore, the primary cost drivers requiring new rates at this time are capital investments and vegetation management costs for work undertaken to maintain the safety and reliability of the electric system, along with costs incurred to restore power to customers following several major storm events in 2017 and 2018.

In addition, the Company will make certain proposals providing for additional targeted and accelerated system investment to bring the overall distribution system up to a condition needed to achieve greater reliability, greater resiliency in major storm events and to support advanced clean

¹ This \$70 million amount is comprised of the \$33 million requested in PSNH’s temporary rate filing and an incremental \$37 million to be detailed in the permanent rate filing.

energy solutions that have efficiency and environmental benefits for New Hampshire. The Company's rate filing will also include a refund to customers of excess deferred income taxes arising as a result in the change in federal and state income-tax rates as of January 1, 2018.

Respectfully submitted,

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


By: 

Matthew J. Fossum
Senior Counsel

Date: April 26, 2019

Certificate of Service

I hereby certify that on April 26, 2019, a copy of this Notice of Intent to File Rate Schedules has been served in accordance with Puc § 203.11.



Matthew J. Fossum