

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 18-089

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

Petition to Change Transmission Cost Adjustment Mechanism Rates

Order Approving Change to Transmission Cost Adjustment Mechanism Rates

ORDER NO. 26,163

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 the request of Eversource to decrease its transmission cost adjustment mechanism rates effective with services rendered on and after August 1, 2018. For residential customers, the rate will decrease from 2.542 cents per kWh to 2.039 cents per kWh. The transmission cost adjustment mechanism 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 Stranded Cost Recovery Charge rate approved in a separate order issued today, all for effect August 1, 2018, are discussed below.

I. PROCEDURAL HISTORY

By letter dated May 25, 2018, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) asked the Commission to open this docket to set a new average transmission cost adjustment mechanism (TCAM) rate to be effective with services rendered on and after August 1, 2018. The Commission approved the creation of

Eversource's TCAM rate for the reconciliation and recovery of transmission expenses and revenues in Docket No. DE 06-028, Eversource's 2006 distribution rate case. *See Public Service Co. of N.H.*, Order No. 24,750 at 23 (May 25, 2007).

The Commission issued an Order of Notice on June 25, and on July 6, the Office of Consumer Advocate (OCA) filed a notice of participation in this proceeding. On July 3, Eversource filed a petition to decrease the TCAM rate from the current average rate of 2.318 cents per kilowatt hour (kWh) to 1.864 cents per kWh, for effect August 1, 2018. Eversource also submitted a lead/lag study of transmission-related receipts and revenues, which it had used in the calculation of the proposed average TCAM rate.

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/2018/18-089.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

Eversource's TCAM rate allows the Company to fully recover certain defined Federal Energy Regulatory Commission (FERC) and Commission-approved transmission costs. The proposed average TCAM rate is based on a reconciliation of historic and forecasted transmission costs, using the latest transmission rates approved by FERC.

Eversource's TCAM rate calculation includes two groups of transmission costs. The first group consists of four categories of wholesale transmission costs that are regulated by FERC and charged to Eversource by ISO New England (ISO-NE), the independent entity that operates the region's high voltage transmission system: (1) regional network service (RNS) costs, (2) local network service (LNS) costs, (3) RNS reliability costs, and (4) scheduling and dispatch costs.

The second group of costs includes Hydro-Quebec support costs offset by related revenues, and the TCAM working capital allowance.

RNS costs are based on FERC-approved tariffs. They are the costs required to support the regional transmission infrastructure throughout New England, and are billed to all entities in the region that have RNS load responsibilities, based on the entity's monthly peak load.

Eversource reported that the RNS rate for the period July 2018 to June 2019 approved by FERC is \$110.43 per kW-yr which translates to about \$21.85 per MWh. Exh. 3. LNS costs encompass transmission costs incurred by Eversource's parent company that are not included in the FERC-approved RNS tariffs, and are allocated to Eversource affiliated distribution companies based on a load ratio share calculated by using a rolling twelve-month coincident peak. Eversource reported the LNS revenue requirement translates to \$1.47 per MWh. *Id.*

RNS reliability costs include Blackstart capability and reactive power expressed as volt-ampere reactive. Blackstart costs consist of payments to certain generating units that have demonstrated their ability to start and energize the electrical grid without relying on the external electric power transmission network to begin operation. The reliability costs represent payments to qualified generating units that are capable of providing reactive power to maintain transmission voltages necessary for the operation of the New England transmission system. ISO-NE bills reliability costs to all entities in the region that have RNS load responsibility based on the entity's monthly peak load.

Scheduling and dispatch costs are associated with services provided by ISO-NE related to scheduling, system control, and dispatch services. Those costs are also billed by ISO-NE to all entities that have RNS load responsibility based on their monthly peak load, in accordance with applicable FERC tariffs.

Hydro-Quebec support costs are associated with FERC-approved contractual agreements between Eversource Energy subsidiaries, including Eversource, and other New England utilities, to provide support for transmission and terminal facilities that have been used to import electricity from Hydro-Quebec. Under those agreements, Eversource is charged its proportionate share of operations and maintenance capital costs for a thirty-year period ending in 2020. Effective July 1, 2010, Eversource also began returning its share of any Hydro-Quebec facility revenues to customers as a revenue credit in the calculation of the TCAM rate.

When the TCAM rate was first approved in 2007, the rate did not include an allowance for working capital related to transmission and the associated working capital was recovered through distribution rates. In Eversource's subsequent 2009 distribution rate case, the Commission approved recovery of transmission-related working capital through the TCAM rate. In prior filings, Eversource used the 45-day formula allowed by the Commission's Puc Part 1600 rules. Consistent with Order No. 25,912 (June 28, 2016), in Eversource's 2016 TCAM proceeding (Docket No. DE 16-566), Eversource conducted a lead/lag study to calculate the transmission-related working capital requirement for the instant filing. In prefiled testimony, Eversource presented the results of its study, which supports a calculation of overall net lead of 15.7 days.

The TCAM allows the Company to set transmission rates for a defined future billing period based on transmission cost estimates, using current and forecast data, most of which is provided by ISO-NE. The TCAM also includes all actual cost and revenue data available at the time of the filing, as well as over- or under-recoveries that are rolled into the next TCAM rate. The forecast period in this filing is the 12-month period from August 2018 through July 2019,

and the reconciliation period includes actual results for January 2017 through May 2018, and estimated results for June and July 2018.

Eversource said that it calculated the average rate in the same manner that it has used since the approval of the settlement agreement in Docket No. DE 06-028. With the exception of the Backup Delivery Service Rate B, the Company adjusts all transmission rates by an equal percentage to achieve the overall average 1.864 cents per kWh transmission rate. According to Eversource, the decrease in the average TCAM rate is driven primarily by an increase in the forecasted over-recovery that results from the federal corporate income tax reduction that took effect January 1, 2018.

For back-up delivery service (Rate B), the DE 06-028 settlement agreement provides that transmission costs be recovered through a demand charge, and it splits the demand charge into a base component and an incremental component. The settlement agreement describes the cost allocation for the base component and it also states that other transmission rates will be calculated through equal percentage adjustments. To calculate the base component, a portion of the TCAM costs are allocated to Rate B based on the class contribution to the Company's demand at the time of Eversource's monthly system peaks. The costs are reconciled against actual revenue for the class, with any resulting over- or under-collection flowing into the rate calculation. The incremental component of the rate is adjusted by the same percentage applied to all other rates. As a result of the adjustments to the average rate dictated by the settlement agreement, Eversource calculated a residential TCAM rate of 2.039 cents per kWh for effect August 1, 2018.

At the hearing in Docket No. DE 18-023, 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. In that docket, Eversource produced a record request response that compared monthly bills for residential customers taking energy service from Eversource between the two periods.¹ The record request response demonstrated that, for residential customers using 600 kWh per month, monthly bills for the period beginning August 1, 2018, will be 2.3 percent lower than rates for the same period in 2017.

B. OCA

The OCA recommended that the Commission approve the rate as just and reasonable.

C. Staff

Staff said that the Company had appropriately calculated the proposed average TCAM rate and recommended the Commission approve the filing.

III. COMMISSION ANALYSIS

Based on the record before us, we find that Eversource used the appropriate method to calculate the TCAM rates consistent with the terms of the settlement agreement approved by Order No. 24,750. We are satisfied that the transmission costs included in the filing are consistent with the applicable FERC-approved tariffs, and that the resulting rates are just and reasonable pursuant to RSA 374:2 and RSA 378:7. Therefore, we approve the Company's requested overall average TCAM rate of 1.864 cents per kWh effective with service rendered on and after August 1, 2108. We will allow Eversource to use the results of the lead/lag study in its calculation of rates, subject to the review of Staff and the OCA and to any suggested changes arising from that review.

¹ See Docket No. DE 18-023, Hearing Exhibit 12, Goulding record request response, filed July 13, 2018. As noted in Order No. 26,164, 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.

This change, combined with changes to the Company's energy service and Stranded Cost Recovery Charge (SCRC), 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 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 scrubber 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 it was 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 as stated above stranded costs related to the scrubber were 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 the petition by Eversource for approval of an average transmission cost adjustment mechanism rate of 1.864 cents per kWh for effect August 1, 2018, is hereby **APPROVED**; and it is

ORDERED, that the petition by Eversource for approval of an average transmission cost adjustment mechanism rate of 1.864 cents per kWh for effect August 1, 2018, is hereby APPROVED; and it is


FURTHER ORDERED, that Eversource is authorized to use the results of the lead/lag study in its calculation of rates subject to the review of Staff and the OCA and subject to reconciliation as a result of any approved changes arising from that review; and it is

FURTHER ORDERED, that Eversource shall file conforming tariff pages within 20 days of the date of this Order pursuant to Puc Part 1603.

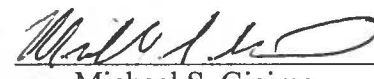
By order of the Public Utilities Commission of New Hampshire this thirty-first day of July, 2018.



Martin P. Honigberg
Chairman

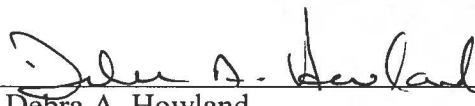


Kathryn M. Bailey
Commissioner



Michael S. Giaimo
Commissioner

Attested by:



Debra A. Howland
Executive Director

SERVICE LIST - EMAIL ADDRESSES - DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with:
DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.