

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 16-822

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

Petition for Adjustment of Energy Service Rate

Order Approving Energy Service Rate

ORDER NO. 25,974

December 23, 2016

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 Donald M. Kreis, Esq., on behalf of residential ratepayers; and Suzanne Amidon, Esq., on behalf of Commission Staff.

In this order, the Commission approves Eversource's default energy service rate for calendar year 2017. For services rendered on and after January 1, 2017, Eversource's default energy service rate will be 11.17 cents per kWh.

In Dockets DE 16-823 and DE 14-216, respectively, the Commission approved a decrease to Eversource's stranded cost recovery charge (SCRC) and an increase to the system benefits charge (SBC). As a result of the combined changes to the energy service, SCRC, and SBC rates, residential customers who take energy service from Eversource will experience an increase of 0.9% to their total monthly bills. For a residential customer using an average of 625 kWh per month and taking energy service from Eversource, monthly bills will increase by \$1.15 cents per month, from \$125.55 to \$126.70.

I. PROCEDURAL HISTORY

Pursuant to RSA 369-B:3, IV(b)(1)(A), customers taking default energy service from Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource) are billed an

energy service rate equal to Eversource's actual, prudent, and reasonable costs of providing power, as approved by the Commission. Eversource's energy service rate is a fixed rate that is in effect for a calendar year, although Eversource may request a mid-year adjustment.

On September 30, 2016, Eversource filed a proposal to increase its default energy service rate from 10.95 cents per kWh to 10.99 cents per kWh for services rendered on and after January 1, 2017. With its petition, Eversource filed the supporting testimony and exhibits of Christopher J. Goulding, Manager of Revenue Requirements, and Daniel J. Ludwig, a Senior Load Forecasting Analyst employed by Eversource Energy Service Company (Eversource Service). Eversource Service is an affiliate of Eversource that provides services to the parent company Eversource Energy and its subsidiaries. In calculating the energy service rate, Eversource included the 1.72 cents per kWh rate approved by the Commission in Order No. 25,854 (December 22, 2015) to recover costs associated with the construction of a wet flue desulphurization unit (Scrubber) at Merrimack Station. On December 9, Eversource updated its filing and requested a 0.18 cent/kWh increase to the energy service rate initially proposed.

The Office of the Consumer Advocate (OCA) filed a letter of participation on October 10, 2016, consistent with RSA 363:28.

The hearing was held on December 15, 2016. The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted to the Commission's website at

<http://www.puc.nh.gov/Regulatory/Docketbk/2016/16-822.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

The major cost categories comprising Eversource's energy service costs are revenue requirements for owned generation assets; the cost of purchased power obligations; the fuel costs associated with Eversource's generation assets; the costs of supplemental energy and capacity purchases; certain Independent System Operator-New England ancillary service charges; and the cost of compliance with RSA 362-F, the New Hampshire Renewable Portfolio Standard (RPS), and RSA 125-O:19 *et seq.*, the Regional Greenhouse Gas Initiative (RGGI). The generation revenue requirement consists of non-fuel costs of generation, including non-fuel operation and maintenance costs, allocated administrative and general costs, depreciation, property and payroll taxes, and a return on the net fossil hydro investment.

Eversource includes Independent Power Producer (IPP) generation as a source of power to meet Eversource's load requirements. According to Eversource, the IPP power costs are based on projected market costs for energy and capacity. Eversource explained that over-market costs of purchases from the IPPs are recovered through Part 2 of the stranded cost recovery charge (SCRC). As market prices change, the value of IPP purchases recovered through energy service rates changes. In addition, there is a corresponding change to the SCRC rate for the above-market value of IPP purchases. To properly match the recovery of IPP costs, Eversource separately requested a change in the SCRC rate, also for effect on January 1, 2016 (Docket No. DE 16-823). A separate order is being issued today in that docket.

On December 9, 2016, Eversource updated its calculation of its 2017 default energy service rate. Based on updated estimates and actual expenses and revenues for September and October 2016, Eversource calculated a default energy service rate of 11.17 cents per kWh, an

increase from the initial estimate of 10.99 cents per kWh. Eversource said that the increase is attributable to a lower sales forecast than that used in preparing its September 2016 filing.

Eversource said that the resulting rate represents the actual and reasonable costs of providing power, and is just and reasonable. Eversource requested approval of its proposed default energy service rate for effect with services rendered on and after January 1, 2017.

B. OCA

The OCA said it was satisfied that Eversource appropriately calculated the proposed energy service rate for effect on January 1, 2017, and that the resulting rate is just and reasonable. The OCA recommended that the Commission approve the petition.

C. Staff

Staff stated that it had investigated the filing and determined that the energy service rate is appropriately calculated. Staff recommended that the Commission approve the petition.

III. COMMISSION ANALYSIS

Pursuant to RSA 369-B:3, IV(b)(1)(A), the price of Eversource's energy service shall be its "actual, prudent, and reasonable costs of providing such power, as approved by the Commission." Because Eversource is entitled to recover its actual costs of providing power and those costs cannot be known prior to providing the power, the Commission has adopted a two-step process for setting energy service rates. The first step, which is determined in this docket, sets rates based on an estimate of future costs for the following calendar year. The second step, which occurs after the power has been produced, or purchased and delivered, involves reconciling the estimated rate with actual costs, and reviewing the prudence of those costs. *See, e.g.,* Order No. 25,935 (August 9, 2016) (reconciliation of 2014 costs and rates.) This process, including the reconciliation, ensures that Eversource's rates are cost based.

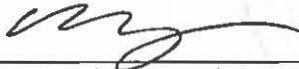
Eversource has requested an overall energy service rate of 11.17 cents per kWh for services rendered on and after January 1, 2017. We find that Eversource appropriately calculated the rate, that the rate is just and reasonable as required by RSA 374:2, RSA 378:5, and RSA 378:7

Based upon the foregoing, it is hereby

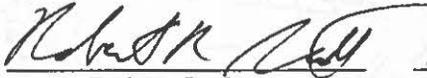
ORDERED, that the request of Public Service Company of New Hampshire d/b/a Eversource Energy to adjust its default energy service rate to 11.17 cents per kWh for effect with services rendered on and after January 1, 2017, is hereby APPROVED; and it is

FURTHER ORDERED, that Eversource shall file tariffs conforming to this Order within 20 days of the date hereof, consistent with the requirements of N.H. Code Admin. Rule Puc 1600.

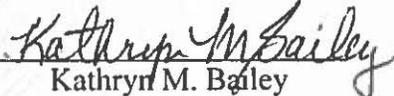
By order of the Public Utilities Commission of New Hampshire this twenty-third day of December, 2016.



Martin P. Honigberg
Chairman

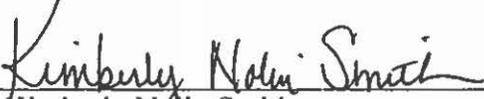


Robert R. Scott
Commissioner



Kathryn M. Bailey
Commissioner

Attested by:



Kimberly Nolan Smith
Assistant Secretary