THE STATE OF NEW HAMPSHIRE

BEFORE THE PUBLIC UTILITIES COMMISSION

PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING
STRANDED COST RECOVERY CHARGE RATE
PRELIMINARY RATES EFFECTIVE FEBRUARY 1, 2019

Docket No. DE 18-xxx

Q. Please state your name, business address and position.

A. My name is Christopher J. Goulding. My business address is 780 North Commercial Street, Manchester, NH. I am employed by Eversource Energy Service Company as the Manager of New Hampshire Revenue Requirements and in that position I provide service to Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource" or the "Company").

Q. Have you previously testified before the Commission?

A. Yes, I have.

Q. What are your current responsibilities?

A. I am currently responsible for the coordination and implementation of revenue requirements calculations for Eversource, as well as the filings associated with Eversource's Energy Service ("ES") rate, Stranded Cost Recovery Charge ("SCRC"), Transmission Cost Adjustment Mechanism ("TCAM"), and Distribution Rates.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek the necessary approvals to set the average SCRC rates, including the RGGI adder, that will take effect February 1, 2019.

Q. Has the SCRC rate been calculated consistent with the August 1, 2018 SCRC rates that were approved by Order No. 26,164 in Docket No. DE 18-023?

A. Yes, the preliminary February 1, 2019 SCRC rates have been prepared consistent with the last approved SCRC rates.

Q. Please describe the components of the SCRC and their application to this rate request.

A. The SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F and 369-B. The PSNH Restructuring Settlement, approved in Order No. 23,549, defined PSNH's stranded costs and categorized them into three different parts (i.e., Part 1, 2 and 3). Part 1 costs were composed of the RRB Charge, which was calculated to recover the principal, net interest, and fees related to the original Rate Reduction Bonds ("RRBs"). These original RRBs were fully recovered as of May 1, 2013. As part of Eversource's divestiture of its generating facilities under the settlement in Docket No. DE 14-238, new RRBs were issued in May 2018 and are included as Part 1 costs in the SCRC rate. Part 2 costs are "ongoing" stranded costs consisting primarily of the over-market value of energy purchased from independent power producers ("IPPs") and the amortization of payments previously made for IPP buy-downs and buy-outs as approved by the Commission. Also, as part of the divestiture of Eversource's generating facilities, Part 2 incorporates various new costs, including: the costs of retained power entitlements, and any unsecuritized prudently incurred decommissioning (if any), environmental, or other residual costs or liabilities related to the generating facilities. Part 3 costs, which were primarily the amortization of non-securitized stranded costs, were fully recovered as of June 2006.

Additionally, the SCRC rate billed to customers includes the Regional Greenhouse Gas Initiative ("RGGI") refund as required by RSA 125-O:23, II and Order No. 25,664 (May 9, 2014), directing Eversource to rebate RGGI auction revenue it receives through the SCRC rate.

Q. Is Eversource currently proposing a specific SCRC rate and RGGI adder at this time?

A. No, it is not. Attachment CJG-1 and Attachment CJG-2 provide rate class specific preliminary rate calculations for the SCRC proposed for February 1, 2019; however, prior to the anticipated hearing in January 2019, Eversource plans to update the SCRC rate calculations for changes attributable to various factors primarily related to the forecasted over/(under)-market cost associated with the ongoing IPPs; Burgess PPA and Lempster over/under-market costs; updated class specific RRB charges to be filed in January; and any additional 2018 actual data available at that time. Eversource will also update this rate calculation to account for the application of the RRB True-Up Mechanism approved by the Commission in Order No. 26,099 (January 30, 2018) in Docket No. DE 17-096. The preliminary February 1, 2019 average SCRC rates (excluding the RGGI rebate amount) provided in this filing are: 1.981 cents/kWh for Rate R customers compared to the current rate of 2.147 cents/kWh; 1.847 cents/kWh for Rate G customers compared to the current rate of 1.970 cents/kWh; 1.538 cents/kWh for Rate GV customers compared to the current rate of 1.626 cents/kWh; 0.559 cents/kWh for Rate LG customers compared to the current rate of 0.607 cents/kWh; and 2.133 cents/kWh for Rate OL/EOL customers compared to the current rate of 2.253 cents/kWh. Attachment CJG-3 and Attachment CJG-4 provide the preliminary February 1, 2019 RGGI adder rate calculation that results in the RGGI adder changing from the current rate of negative 0.094 cents/kWh to negative 0.104 cents/kWh for all customer classes.

Q. Historically, there was a single average SCRC rate that was applied to all customers. Why are there now class specific average SCRC rates?

A. As part of the Settlement Agreement approved in Docket No. DE 14-238 at Line 252 of Section III.A, the SCRC revenue requirement is to be allocated to each rate class as follows: 5.75% to Rate LG, 20.00% to Rate GV, 25.00% to Rate G, 48.75% to Rate R, and 0.50% to Rate OL. Applying this differing allocation by rate class means that there can no longer be a single average SCRC rate for all customers. Page 1 of Attachment CJG-1 provides the rate class specific average SCRC rates including and excluding the RGGI adder.

Q. What are the major reasons for the decrease in the SCRC rate from the rates currently in effect?

A. The decrease in the preliminary SCRC rates effective February 1, 2019 from the current SCRC rates is primarily due to an estimated decrease in the February 1, 2019 RRB charges from the current RRB charges and the removal of the non-scrubber energy service under recovery. This latter reduction is almost entirely offset by the inclusion of the estimated new above market costs associated with the purchases from wood IPPs required by the passage of Senate Bill 365.

Q. Does Eversource plan to minimize cost deferrals for the SCRC through a mid-term adjustment?

A. Yes. If a rate adjustment is deemed necessary, Eversource could file a petition for such a change in a manner and on a schedule consistent with the modifications to the ES rate. The Commission could revisit the SCRC rate in an abbreviated investigation. Eversource would submit actual and estimated data on a date specified by the Commission to allow the parties and Staff sufficient time to address the need for an interim adjustment during the 2019 SCRC year.

Q. Please describe the detailed support for the calculation of the average SCRC rate provided in Attachments CJG-1 and CJG-2.

A. Attachment CJG-1, page 1 provides the calculation of the average SCRC rates for the 5 rate classes incorporating the cost allocation for each rate class defined in the settlement agreement approved in Docket No. DE 14-238. Page 2 provides a summary of 2018 cost information related to the Part 1 and Part 2 costs. Page 3 provides the estimated rate class specific RRB charges that were calculated when the RRBs were issued. Page 4 has been provided to reconcile the amount of funds that are collected through the RRB charge by its inclusion in the SCRC with the amount of funds that are in the Collection and Excess Funds trust accounts. It is important to note that customers are not directly paying the principal, interest and fees associated with the RRBs in the SCRC rate calculation.

Instead, customers are paying a RRB charge as part of the overall SCRC rate that results in remittances to the RRB trust that are used to satisfy the principal, interest and fees of the RRBs. The RRB charge is calculated to satisfy the principal, interest and fees of the RRBs. Page 5 provides detailed cost information by month related to the Part 2 ongoing costs, and summary information for the Burgess and Lempster contracts as well as cost and actual revenues associated with the purchases of RECs from these contracts and the transfer of REC revenues between the ES rate and the SCRC rate to account for the Class 1 RECs necessary to satisfy the Class 1 REC requirement for ES. Page 6 has been added to provide additional details related to the Burgess and Lempster contracts as well as the cost associated with the RECs purchased under these contracts and the transfer of revenues between the SCRC and the ES rates. Attachment CJG-2, pages 1 through 6 provide the detailed cost and revenue components relating to the preliminary SCRC reconciliation for the 13 months ended January 31, 2019.

Q. How have the February 1, 2019 preliminary RRB charges been calculated?

A. The preliminary RRB charges are estimates that were calculated at the time the RRBs were issued. The actual February 1, 2019 charges will be filed in January 2019 and will be included in the January 2019 SCRC rate update prior to the SCRC hearing. The preliminary estimates provided represent a reasonable estimate of the expected RRB charges.

Q. Could you please provide additional details for the Part 2 on-going costs included on page 5 of Attachment CJG-1?

A. Yes. The costs included in this preliminary SCRC filing on page 5 are:

1. (Lines 3 through 6): Non-Wood IPPs: All costs and market revenues associated with the existing IPPs. Prior to divestiture, any benefit of below market energy or capacity associated with the IPPs was included in the Energy Service rate, while the above market portion was included in the SCRC. Consistent with the settlement in Docket No. DE 14-238, all IPP costs and revenues, whether above or below market, are included in the SCRC.
2. (Lines 7 through 10) Wood IPPs: Senate Bill 365, which created RSA chapter 362-H, requires Eversource to purchase the output of certain "eligible facilities" at specified above-market rates. Those eligible facilities include various wood IPPs. Under the law at RSA 362-H:2, V, Eversource "shall recover the difference between its energy purchase costs and the market energy clearing price through a nonbypassable delivery services charge applicable to all customers in the utility's service territory. The nonbypassable charge may include recovery of reasonable costs incurred by electric distribution companies pursuant to this section." Lines 7 through 10 contain the estimates for the difference between Eversource's energy purchase costs and the market energy clearing price and the other costs incurred by Eversource to comply with the law. Under the law, the recovery of costs through the nonbypassable charge is to be allocated "among Eversource's customer classes using the allocation percentages approved by the commission in

its docket DE 14-238 order 25,920 approving the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement." Therefore, these costs have been included in this SCRC filing because the SCRC rate is both nonbypassable and is allocated consistent with Order No. 25,920. Eversource is requesting that in any Commission order regarding compliance with RSA chapter 362-H, it specifically conclude that these costs are recoverable through the SCRC.

3. (Line 11) Burgess PPA: Effective April 1, 2018, the costs and market revenues associated with the Burgess PPA are included in the SCRC. Line 11 shows the net cost of the Burgess PPA. Additionally, provided in Attachment CJG-1 (page 6) is support for the underlying forecast assumptions related to the costs and revenues associated with the Burgess PPA by month.
4. (Line 12) Lempster PPA: Effective April 1, 2018, the costs and market revenues associated with the Lempster PPA are included in the SCRC. Line 12 shows the net cost of the Lempster PPA. Additionally, provided in Attachment CJG-1 (page 6) is support for the underlying forecast assumptions related to the costs and revenues associated with the Lempster PPA by month.
5. (Line 13) Energy Service REC Revenues Transfer: This line has been included to capture the transfer of the RECs necessary to satisfy the Class 1 REC obligation for ES customers. This is consistent with the treatment of Class 1 RECs described in Section II.H of the November 27, 2017 settlement in Docket No. DE 17-113 where it states: "As to Eversource's RPS obligation relevant to Class I, the

Settling Parties agree that it shall be managed in a manner consistent with that described on page 14 of the initial Testimony of Shuckerow, White & Goulding". That testimony provides, with reference to the Burgess and Lempster contracts:

> The REC amounts purchased from these sources may more than meet energy service obligation quantities, eliminating the need for Class I purchases. Since the 2015 Agreement calls for the costs of those PPAs to be recovered via the SCRC, a transfer price for RECs obtained under those PPAs used to satisfy RPS needs for ES customers must be set. In order to properly account for these Class 1 REC purchases for both ES and SCRC purposes, Eversource proposes to establish a transfer price equal to the Class I REC prices established via the mechanism described previously.

6. (Line 14): REC Sales Proceeds: As Class 1 RECs in excess of those necessary to satisfy the energy service Class 1 REC requirement are sold, the proceeds associated with the sales will be included in actual data.
7. (Line 15) ISO-NE Other: The costs included in this line are miscellaneous ISO resettlement costs along with credits that were historically included in the ES rate.
8. (Line 16) Excess Deferred Income Taxes ("EDIT"): At the end of 2017, the Federal and State tax rates changed which resulted in EDIT. That excess is to be refunded to customers. Attachment CJG-5 provides the estimated annual return of EDIT that will be refunded as a credit to Part 2 costs of the SCRC rates and line 16 contains that EDIT by month for the 2019 SCRC year.

Q. Could you please also provide additional details on the costs on Lines 3 through 16 on page 5 of Attachment CJG-2?

A. The costs included on Lines 3 through 16 in this preliminary SCRC filing on page 5 of CJG-2 are:

1. (Lines 3 through 6): Non-Wood IPPs: All costs and market revenues associated with the existing IPPs. Prior to divestiture, any benefit of below market energy or capacity associated with the IPPs was included in the ES rate, while the above market portion was included in the SCRC. Consistent with the settlement in Docket No. DE 14-238, all IPP costs and revenues, whether above or below market, are included in the SCRC.
2. (Line 7) Burgess PPA: Effective April 1, 2018, the costs and market revenues associated with the Burgess PPA are included in the SCRC. Line 11 shows the net cost of the Burgess PPA. Additionally, provided in Attachment CJG-2 (page 6) is support for the underlying forecast assumptions related to the costs and revenues associated with the Burgess PPA by month.
3. (Line 8) Lempster PPA: Effective April 1, 2018, the costs and market revenues associated with the Lempster PPA are included in the SCRC. Line 12 shows the net cost of the Lempster PPA. Additionally, provided in Attachment CJG-2 (page 6) is support for the underlying forecast assumptions related to the costs and revenues associated with the Lempster PPA by month.
4. (Line 9) Energy Service REC Revenues Transfer: This line has been included to capture the transfer of the RECs necessary to satisfy the Class 1 REC obligation for ES customers. This is consistent with the treatment of Class 1 RECs described in Section II.H of the settlement in DE 17-113 where it says: “As to Eversource's RPS obligation relevant to Class I, the Settling Parties agree that it shall be managed in a manner consistent with that described on page 14 of the initial

Testimony of Shuckerow, White & Goulding". That testimony provides, with reference to the Burgess and Lempster contracts:

> The REC amounts purchased from these sources may more than meet energy service obligation quantities, eliminating the need for Class I purchases. Since the 2015 Agreement calls for the costs of those PPAs to be recovered via the SCRC, a transfer price for RECs obtained under those PPAs used to satisfy RPS needs for ES customers must be set. In order to properly account for these Class 1 REC purchases for both ES and SCRC purposes, Eversource proposes to establish a transfer price equal to the Class I REC prices established via the mechanism described previously.

5. (Line 10) Non-scrubber energy service under recovery: Consistent with the settlement in Docket No. DE 17-113, these costs have been included in the SCRC calculation. Please refer to Attachment CJG-6 for supporting information that was submitted as part of the Quarterly ES/SCRC filing in Docket No. DE 17-151 for the cost and revenues that result in the March 31, 2018 under-recovery position. The $824 thousand amount in July 2018 represents the true up associated with the estimated 2017 NWPP REC revenues that were included in the March 31, 2018 non-scrubber under recovery to the actual amount of NWPP REC revenues once the 2017 REC compliance year was complete and all NWPP RECs had been sold.
6. (Line 11): REC Sales Proceeds/2017 RPS True-Up: This line includes the following items:
    a. The loss (the net of revenues and costs) on 2017 REC sales.
    b. The June 30, 2018 Class 1 REC inventory balance of unsold 2016 and 2017 RECs.

c. The 2017 RPS requirement true-up that is completed annually in June of the following compliance year to true-up the actual RPS compliance amount from the amount that was collected from customers in 2017.

d. Proceeds from the sales of 2018 RECs (Burgess and Lempster). The costs for these 2018 REC sales are included in Lines 2 and 3 (with additional detail provided on page 6, Lines 7 through 9 and Lines 17 through 19) as the RECs are delivered.

7. (Line 12) ISO-NE Other/Residual Hydro O&M: The costs included in this line are miscellaneous ISO resettlement costs along with credits that were historically included in the ES rate. Additionally, included in this line are ongoing costs associated with the hydro units that are expected for the next few months.

8. (Line 13) Returned on Stranded Thermal Assets: The return on the stranded thermal assets is the carrying charge on the stranded thermal assets at the stipulated rate of return prior to securitization.

9. (Line 14) Amortization of the Scrubber Deferral: Consistent with the terms of the settlement approved in Docket No. DE 14-238, this is the continuation of the amortization over a seven-year period of the scrubber deferral until securitization.

10. (Line 15) Excess Deferred Income Taxes (“EDIT”): At the end of 2017, the Federal and State tax rates changed which resulted in EDIT. That excess is to be refunded to customers. Attachment CJG-5, provides the estimated annual return of EDIT that will be refunded as a credit to Part 2 costs of the SCRC rates.

Q. Referring to CJG-2, page 5, Line 10, has Eversource included the cost of the shipping contract Settlement and Release described in the Testimony of Fredrick White in Docket No. DE 17-075 in the March 31, 2018 non-scrubber ES under recovery?

A. No. The $3.4M payment associated with the settlement paid in December 2016 has been excluded from the under recovery pending review and approval in Docket No. DE 17-075. Once that is approved, the Company will include that payment in rates in a manner approved by the Commission.

Q. Please describe the detailed support for the calculation of the RGGI rate provided in Attachments CJG-3 and CJG-4.

A. In Order No. 25,664 in Docket No. DE 14-048, and pursuant to RSA 125-O:23, II, the Commission ordered that certain proceeds from the quarterly RGGI auctions be rebated to Eversource's customers through the SCRC. Attachment CJG-3, page 1, and Attachment CJG-4, page 1 provide a summary of 2019 and 2018 information related to RGGI auctions and the amounts allocated to Eversource for refund.

Q. Is Eversource currently proposing a specific RGGI rate at this time?

A. No, it is not. Attachment CJG-3, page 1 provides a preliminary rate calculation; however, prior to the anticipated hearing in January 2019, Eversource plans to update the RGGI rate calculation for additional 2018 data. The preliminary February 1, 2019 RGGI rate provided in this filing is negative 0.104¢/kWh and is 0.010¢/kWh lower than the current August 1, 2018 RGGI rate of negative 0.094¢/kWh.

Q. Does Eversource require Commission approval of the SCRC rate billed to customers by a specific date?

A. Yes, Eversource would need final approval of the SCRC & RGGI rate by January 25, 2019, to implement the new rates for service rendered on and after February 1, 2019.

Q. Does this conclude your testimony?

A. Yes, it does.