STATE OF NEW HAMPSHIRE

BEFORE THE

PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 14-238

2015 PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE RESTRUCTURING AND RATE STABILIZATION AGREEMENT

DIRECT TESTIMONY OF ERIC H. CHUNG

July 6, 2015

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INTRODUCTION AND QUALIFICATIONS

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

A. My name is Eric H. Chung. My business address is 1 NSTAR Way, Westwood, MA 02090. My position is Director of Revenue Requirements and Regulatory Projects at Eversource Energy.

Q. What are your current responsibilities?

A. I am currently responsible for all regulatory activity affecting the financial requirements of Eversource's operations in New Hampshire, plus special enterprise-wide regulatory initiatives across Eversource's operating businesses in the states of Connecticut, Massachusetts, and New Hampshire.

Q. Have you previously testified before the Commission?

A. Yes, I have most recently testified before the Commission in Docket No. DE 11-250 (Investigation of Merrimack Station Scrubber Project and Cost Recovery). I have previously testified before the Commission in Docket Nos. DE 13-274 (2014 Stranded Cost Recovery Charge Rate Change), DE 13-275 (2014 Default Energy Service Rate Change) and DE 13-108 (Reconciliation of Energy Service and Stranded Costs for Calendar Year 2012).

Q. Please describe your educational background.

A. I have a Bachelor of Arts in physics with honors from Harvard University, as well as a Master's of Business Administration in finance and economics from the University of Chicago Booth School of Business.

Q. Please describe your professional experience.

A. I was appointed to my current position at Eversource Energy in February 2015. From August 2013 to January 2015, I was Director of Revenue Requirements for Eversource's operating companies in both Massachusetts and New Hampshire, including Public Service Company of New Hampshire ("PSNH" or the "Company"). From May 2011 to August 2013, I was a Senior Manager in the Power Utilities Advisory practice at Ernst and Young LLP. From July 2009 to April 2011, I worked for PacifiCorp, a vertically-integrated electric utility based in Portland, Oregon serving approximately 1.7 million customers across six states in the Western United States. At PacifiCorp, my primary role was Director of Environmental Policy and Strategy, and I also held leadership roles in PacifiCorp's Transmission and Corporate Finance departments. I have also served as an Associate Partner in the Utilities practice at Oliver Wyman, a Senior Engagement Manager in the Power practice at Strategic Decisions Group, and a Senior Programmer Analyst at Goldman Sachs. I have approximately eighteen years of relevant management consulting and industry experience, with most of my career dedicated to the power and utilities sectors.

PURPOSE OF TESTIMONY

Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide support for the 2015 Public Service Company of New Hampshire Restructuring and Rate Stabilization Agreement (the "Settlement

Agreement") from a financial analysis perspective. In my testimony, I will cover the following topics:

I. Estimated customer savings
II. Stranded Cost Recovery Charge
III. Energy Service Rate
IV. Distribution Rate provisions
V. Clean energy provisions.

ESTIMATED CUSTOMER SAVINGS

Q. Did you estimate the savings to customers resulting from the Settlement Agreement?

A. Yes, I did.

Q. Please summarize the results of your analysis.

A. As stated in the signed Term Sheet dated March 13, 2015, customer savings were estimated to be on the order of $300 million over the first five years following an asset divestiture ("Divestiture") of the PSNH generating assets ("Generating Assets")[1], the date for which is assumed for simplicity to be January 1, 2017. Under current assumptions, customer savings are estimated on a preliminary basis to be approximately $379 million through the first five years following a January 1, 2017 Divestiture, which include a placeholder estimate of benefits attributed to PSNH's agreement to not file a

[1] The Generating Assets include: Merrimack Station, Newington Station, Schiller Station, nine hydroelectric stations and two remote combustion turbine sites.

distribution rate case application with rates effective before July 1, 2017. Moreover, customer savings are estimated to be approximately $1.2 billion through the first 15 years following Divestiture.

Q. Please provide a high-level description of how your estimate of customer savings was derived.

A. The primary source of the data for the savings estimate was the April 1, 2014 study conducted by La Capra Associates ("La Capra") as part of Docket No. IR 13-020. The La Capra study contained forecasts of prices for PSNH default Energy Service ("ES") as well as that of competitively-supplied electricity along with information related to the Burgess Biomass and Lempster Wind PPA's and the estimated selling price of the generation assets.

The savings figure was calculated by comparing the estimated cost of energy for customers under the current paradigm where approximately 48% of customer load is served by PSNH's Energy Service rate and 52% of the customer load is served by competitive suppliers, versus the cost of energy for customers under a post Divestiture scenario where PSNH's generation assets are divested and resulting stranded costs are securitized and recovered through the Stranded Cost Recovery Charge ("SCRC") and 100% of customer load is served by the competitive market (whether by a competitive supplier or through a default service procurement). Furthermore, there were assumed savings associated with the two-year rate case stay-out. The table below provides a high level illustration of the cost under each scenario:

Component	Curent Paradigm	Post-Divestiture
Energy costs	~48% at ES and ~52% at competitive market (based on 2014 billed sales)	100% at competitive market
Stranded costs	N/A	Rate Reduction Bonds (principal, interest, and fees) and above/below market cost of Burgess and Lempster PPA's, tax stabilization payments, and other Divestiture costs
Distribution costs	PSNH entitled to file distribution rate case with rate effective 7/1/2015	Distribution rate case stay-out through 6/30/2017; continuation of funding for Reliability Enhancement Program ("REP")

Q. What are the key financial modeling assumptions you used?

A. The most significant financial modeling assumptions contained in my analysis relate to: 1) the estimated generation assets sale price; 2) forecasted competitive market energy rates; 3) forecasted PSNH's energy service rates; and 4) costs associated with the Burgess and Lempster PPA's. All of these assumptions come directly from the La Capra Study. The additional assumptions related to PSNH asset values such as plant, fuel and materials are per PSNH records and are listed on Page 3 of Exhibit EHC-1.

Q. Please introduce and explain your customer savings exhibits.

A. The customer savings exhibits provided as Exhibit EHC-1 calculate the estimated savings that will inure to customers from implementing the Settlement Agreement. Page 1 of

Exhibit EHC-1 calculates the customer savings based on the status quo where PSNH continues to own generation versus the post-Divestiture environment where customers' power is sourced directly from the market. As mentioned above, this energy savings is offset by an increase in the SCRC and by a rate case provision of the Settlement Agreement. Page 2 of Exhibit EHC-1 estimates the rate impact by rate class utilizing the new revenue requirement allocation per the Settlement Agreement. Page 3 of Exhibit EHC-1 lists all of the financial assumptions and the source for the assumptions. Page 4 of Exhibit EHC-1 calculates the estimated stranded cost and the estimated amount that will need to be securitized, consistent with the requirements of Senate Bill 221 as passed by the New Hampshire Senate and House of Representatives during the 2015 New Hampshire Legislative Session. Pages 5 and 6 of Exhibit EHC-1 illustrates the estimated principal, interest, fees and ongoing cost by month and year that will result from the stranded cost being securitized.

Q. Will the Company forego earnings as a result of divesting its generation fleet?

A. Yes. To the benefit of customers, the Company will be foregoing approximately $360 million in generation earnings over the fifteen years following Divestiture. This estimate is based on current investments at the allowed generation after tax return on equity of 9.81 percent.

Q. What was your assumption for the estimated sale proceeds from the Divestiture?

A. The estimated sale proceeds of $225 million for PSNH's generation assets were derived from the analysis provided in the La Capra study. While I have made no adjustments to this estimate, I make the general observation that there have been significant increases in the value of forward capacity in the ISO-NE market that have occurred subsequent to the La Capra study, and it is possible that the actual sale proceeds will be higher than what La Capra estimated.

Q. How sensitive are your results to the sale proceeds assumption?

A. While a true sensitivity analysis cannot be performed as a matter of practicality, one can demonstrate that neither the five-year nor the 15-year customer savings estimates are likely to be highly sensitive to the sale proceeds. For illustrative purposes, I held all other assumptions constant while I varied the sale proceeds from $150 million to $450 million in increments of $75 million. As the table below reflects, under this range of sale proceeds, the customer savings estimates for both timeframes remain reasonably close to those based on La Capra's sale proceeds of $225 million, which as stated above yielded estimated customer savings through 2021 and 2031 of $379 million and $1.2 billion respectively:

Sale proceeds ($M)	Est. customer savings through 2017 ($M)	Est. customer savings through 2031 ($M)
150	344	1,119
225	**379**	**1,211**
300	413	1,303
375	448	1,395
450	482	1,486

Q. What is your assumption for the net plant balance of PSNH's generation plants that will be divested?

A. Because our analysis presumes that securitization commences on January 1, 2017, we estimated net plant balance as of December 31, 2016. Rolling forward current net plant balances to December 31, 2016, we used $636.2 million as the estimate of the net plant balance for securitization purposes.

Q. Please describe your assumptions for the securitization interest rate and term.

A. Our estimates use a weighted-average securitization bond interest rate of 3.0%. This rate was provided by the Eversource Corporate Finance department. We assumed these bonds to have a 15-year term.

Q. Please describe your assumptions for Divestiture transaction costs.

A. One-time issuance costs for the new RRBs were estimated to be $8 million. Recurring annual financing costs were estimated to be $890,000. Both estimates were provided by the Eversource Corporate Finance department.

Q. The Settlement Agreement includes a provision to provide certain "tax stabilization payments" to affected municipalities. Please describe the agreement for such property tax stabilization payments and the cost assumptions used in your calculations.

A. To help ensure economic stability of New Hampshire municipalities impacted by the Divestiture of PSNH's Generating Assets, PSNH has agreed to make property tax stabilization payments. Those payments ramp down on a straight-line basis and phase out over a period of three tax years following divestiture to the municipalities where the Generating Assets listed in Section IV(C) of the Settlement Agreement are located. This will only occur if the sales price for that municipality's generating asset is less than the baseline assessed value.

In the first year following Divestiture, the property tax stabilization payment amount shall be the difference in taxes between the baseline assessment and the new market value assessment established by the municipality based upon the Generating Asset's purchase price. This shall be the "initial amount." In the second year following Divestiture, the property tax stabilization payment amount shall equal two-thirds of the initial amount. In the third year following Divestiture, the final property tax stabilization payment amount shall equal one-third of the initial amount.

Using the La Capra estimated asset sales prices, first-year tax stabilization payments were estimated to be approximately $3.5 million by the Eversource Tax department. In concert with the methodology specified above, second- and third-year tax stabilization payments were estimated to be approximately $2.4 million and $1.2 million respectively. If the assets sell at prices higher than what La Capra has estimated, the ultimate tax stabilization payment amounts would decrease from these estimates.

Q. New Hampshire law requires that employee protections be provided in the event PSNH's generation assets are divested. Please describe how the Settlement Agreement implements the required employee protections and the cost assumptions used in your calculations.

A. Under RSA 369-B;3-b, employees who are affected by the Divestiture of PSNH's generation plants are entitled to employee protections. Mr. Smagula describes the protections that affected employees will be entitled to in his testimony. If all of PSNH's generation business unit employees lost their jobs at the time of Divestiture, Eversource Human Resources estimates that the total separation and transition costs would be approximately $32.7 million. Based on Eversource's experience with previous divestitures, a reasonable rule of thumb is to use one-third of total costs as a placeholder for employee separation and transition costs. Hence, a placeholder estimate of $10.9 million for employee separation and transition costs was used in our analysis.

Q. Please describe other cost categories and regulatory assets / liabilities in your model to be securitized.

A. The Settlement Agreement uses securitization financing of stranded costs and transaction related costs as a significant method to achieve cost savings for customers. Mr. Lembo and Ms. O'Neil describe the securitization financing process in their testimony.

The primary stranded cost to be recovered via securitization would be any difference between the sale proceeds and net book value of the Generating Assets to be sold. There are also a number of other costs and regulatory assets / liabilities associated with the

Generating Assets that would be securitized. Based on current knowledge, these include (but ultimately may not be limited to) the following: 1) fuel; 2) materials and supplies; 3) employee separation and transition costs; 4) transfer of the pension and PBOP regulatory asset; 5) deferred tax reserve; 6) asset retirement obligations, unamortized debt expense, debt premium, and/or losses on reacquired debt; 7) "make whole premiums" on debt redemptions; and 8) other Divestiture-related costs, including all professional services related to the Divestiture plus a contingency for miscellaneous recoverable costs[2]. The current assumptions for these items are documented on Page 3 of Exhibit EHC-1. Updates to these assumptions, plus the inclusion of any additional balances and ongoing costs to be recovered, will be reflected in the Company's regulatory filing seeking Commission approval of the winning bidder(s) as well as the corresponding financing application.

Q. What are your overall conclusions from your analysis?

A. My conclusion is that the Settlement Agreement is clearly in the economic interest of PSNH's distribution customers. My preliminary savings estimates, which as previously stated are driven primarily by the results contained in the La Capra Study, show that PSNH's distribution customers save hundreds of millions of dollars in energy costs over the first five years following Divestiture, and over a billion dollars over the first 15 years following Divestiture. Furthermore, I conclude that the order of magnitude of these

[2] Professional services include (but are not limited to) the following: legal, consulting, environmental studies, technical studies, other generation-related services, and auction management. Miscellaneous recoverable divestiture-related costs may include (but not be limited to) the following: stranded generation administrative costs, environmental expenses, visual improvements, and additional studies.

estimates is unlikely to be highly sensitive to the sale proceeds, which suggests that customers will realize substantial savings under a wide range of sale outcomes.

Q. Please describe your plans for updating your analysis.

A. Once the auction has been completed and the winning bids have been determined, the preliminary savings estimates and corresponding rate calculations contained in my exhibits will be updated using the final sale proceeds. In addition, all of the Company financial assumptions and supporting calculations reflected in my analysis will be reviewed and refined for that submission. The Company's financing application seeking approval of the securitization of stranded costs will also be submitted at that time.

STRANDED COST RECOVERY CHARGE

Q. Please describe the components of the existing SCRC.

A. The current SCRC recovers certain costs under the authorities contained in RSA Chapters 374-F and 369-B. The 1999 PSNH Restructuring Settlement, approved in Order No. 23,549, defined PSNH's stranded costs and categorized them into three different parts (i.e., Parts 1, 2 and 3). The Part 1 cost was composed of the RRB Charge which was calculated to recover the principal, net interest, and fees related to Rate Reduction Bonds. The Part 1 costs were fully amortized in May 2013. 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. Under the 1999

Settlement, Part 3 costs, which were primarily the amortization of non-securitized stranded costs, were at-risk for full recovery; those costs were recovered fully in June 2006.

Q. Please describe the new components of the SCRC post-Divestiture.

A. As stated in the Settlement Agreement, the SCRC will be a non-bypassable charge as provided in RSA 374-F:3 and RSA 369-B:4, IV to recover PSNH's stranded costs as approved by the Commission. The net of prudently incurred ongoing expenses and revenue requirements (including, inter alia, decommissioning, retirement, and environmental costs or liabilities) for any generating unit, entitlement or obligation that has not been sold as part of the Divestiture process and all above-market or below-market costs related to IPPs and the PPAs, employee protection-related costs, and property tax stabilization payments will be treated as stranded costs to be fully recovered through the SCRC.

The SCRC will recover the amortization of the securitized assets and ongoing non-securitized costs. For the purpose of establishing the SCRC, the new stranded costs will also be divided into two parts called Part 1 and Part 2. Part 1 will be the RRB Charge, and is the source of payment for RRBs. Therefore, the right to receive all collections in respect of the Part 1 charge will be sold to the SPSE, as described in Mr. Lembo's and Ms. O'Neil's testimony. Part 1 will be billed until the RRBs are paid in full. Part 2 will recover all other Non-Securitized Stranded Costs and will continue for as long as there are Non-Securitized Stranded Costs to be recovered by PSNH.

Q. What stranded costs will not be recovered via securitization?

A. As I just noted, Part 2 of the SCRC is necessary to recovery Non-Securitized Stranded Costs. Although the company will maximize the securitization of stranded costs, some costs will not be able to be securitized such as: 1) potential tax stabilization and employee protection payments; 2) on-going IPP and PPA costs; and 3) the final energy service over- or under-recovery deferral balance prior to the change to a competitive energy service paradigm. These costs will continue to be recovered via Part 2 of the SCRC.

Q. Please explain the general process for how the projected SCRC amounts will be reconciled to actuals.

A. As stated in the Settlement Agreement, reconciliation of Part 1 of the SCRC shall be calculated in accordance with the True-Up Mechanism described in Section IX of the Settlement Agreement as approved by the Commission. Additionally, the Settlement Agreement also states that Part 2 of the SCRC will be reconciled annually with a return at the Stipulated Rate of Return on any over-recoveries or under-recoveries of costs.

Q. What will happen with the existing purchases from the Independent Power Producers ("IPPs") and the Burgess and Lempster Power Purchase Agreements ("PPAs")?

A. Under the current model, any above-market cost of the IPPs are recovered in the SCRC, and any market cost and below-market cost are recovered through the Energy Service Rate. This methodology will be modified under the Settlement Agreement, with all above-market or below-market costs related to those contracts to be reconciled in the SCRC.

Currently, all costs of the Burgess and Lempster contracts are recovered through PSNH's Energy Service rate as required by the present version of RSA 374-F:3. Upon completion of the Divestiture process, using the authority allowed in SB 221 the cost recovery of the Burgess and Lempster PPAs will be modified and dealt with in a manner identical to the other IPP costs, with all above-market or below-market costs related to those contracts to be reconciled in the SCRC.

Q. How do the existing PPAs impact your estimated SCRC rate?

A. While it is challenging to accurately estimate above- or below-market costs of the Burgess and Lempster PPAs to the SCRC, we deemed it appropriate to incorporate a levelized impact into the final net customer savings calculation. This estimate was calculated by converting the estimated NPV of the Burgess and Lempster PPAs as forecast in the La Capra Study into a levelized impact, using the 12% discount rate from the La Capra Study and the remaining years on each of the PPAs at the time the La Capra Study was conducted (i.e. 19 years for Burgess and 9 years for Lempster). The average impact across customer rate classes for the combination of the Burgess and Lempster PPAs was estimated to be 0.20 cents/kWh for the first year following Divestiture. Per Section III, Part A of the Settlement Agreement, the annual revenue requirement resulting from the above- or below-market impacts of these two PPAs is to be allocated as per the rate classes percentages specified. Illustratively, this would result in an estimated 0.07

cents/kWh impact to the LG customers and 0.25 cents/kWh impact to the R customers, as shown on Page 2 of Exhibit EHC-1.

Q. If there are any Renewable Energy Certificate ("REC") sales from the Burgess and Lempster contracts that are sold above the cost of the REC's, how will those profits be refunded to customers?

A. All revenues from sales of REC's will be included in the SCRC.

Q. Please explain how the allocation of the cost included in the SCRC will be collected from each rate class.

A. SB 221 expressly provides authority to incorporate rate designs that fairly allocate the costs of Divestiture of some or all of PSNH's generation assets among customer classes. As stated in the Settlement Agreement, the Settling Parties have agreed upon such a rate design whereby SCRC shall be recovered as a non-bypassable charge from all customers served by PSNH within its service territory. The Settlement Agreement states that the SCRC shall be allocated to PSNH's customer classes in accordance with the following rate design:

Rate class	% of revenue requirement
LG – Large General Service (> 1,000 kW)	05.75
GV – Primary General Service (≤ 1,000 kW)	20.00
G – General Service (≤ 100 kW)	25.00
R – Residential Service	48.75
OL – Outdoor Lighting	00.50

ENERGY SERVICE RATE

Q. Please describe PSNH's expected transition to competitive procurement upon Divestiture of the Company's Generating Assets.

A. As stated in the Settlement Agreement, no later than six months after the final financial closing resulting from the Divestiture of PSNH's Generating Assets, PSNH will transition to a competitive procurement process for Default Service. PSNH has described the proposed process for its future competitive procurement in Docket No. IR 14-338, "Review of Default Service Procurement Processes for Electric Distribution Utilities," and would implement that process, or other appropriate process as may be specifically ordered by the Commission, upon transition.

Q. How does the Settlement Agreement resolve recovery of the costs of the Merrimack Station scrubber and how is that included in the customer savings calculation?

A. As part of the Settlement Agreement, the Company has agreed to forego $25 million of deferred equity return related to the scrubber investment. The total balance to be securitized will be reduced by this amount at the time of financial closing. Please refer to Exhibit EHC-1 Page 4, Line 4 where the $25 million reduction in the deferral amount to be securitized has been reflected.

Q. What is the estimated scrubber deferral balance?

A. Assuming that the full cost of the scrubber is placed into rates on January 1, 2016, and a securitization start date of January 1, 2017, the estimated uncollected scrubber deferral balance to be securitized would be $102.6 million. The Company estimates that the scrubber deferral balance at December 31, 2015 will be $119.7 million. Please see Exhibit EHC-2 for the supporting calculation of the $119.7 million estimated deferral balance. According to the Settlement Agreement, a seven-year amortization of this balance will be part of Energy Service rates starting January 1, 2016. Assuming that one-seventh of the $119.7 million scrubber deferral balance is amortized by January 1, 2017, the remaining unamortized scrubber deferral balance would be six-sevenths of $119.7 million, or $102.6 million.

Q. What is the estimated impact of the amortized scrubber deferral balance that will be included as part of the ES Rates on January 1, 2016?

A. Using the forecasted migration per Docket No. DE 14-235 filed on June 11, 2015, the impact of the amortization rate will be 0.40 cents/kWh. Please refer to Exhibit EHC-2.

Q. What is the process for permanently including the costs of the scrubber in ES rates?

A. In concert with the typical ES rate-setting process, the Company expects in the fall of 2015 to file an estimated ES rate for 2016 that includes the full ongoing and deferred costs of the scrubber. The ES rate, including the scrubber costs, will continue to be subject to annual reconciliation until Divestiture.

DISTRIBUTION RATE PROVISIONS

Q. Please describe the Settlement Agreement's provisions regarding a PSNH distribution rate case.

A. In the distribution rate case settlement agreement approved in Docket No. DE 09-035, PSNH agreed to not file its next distribution rate case with rates effective earlier than July 1, 2015. As part of the Settlement Agreement, PSNH has agreed to extend that rate case stay-out date by two years such that new rates would not take effect earlier than July 1, 2017.

Q. What are the estimated benefits to customers from the rate case stay-out?

A. It is difficult to accurately quantify such benefits without conducting a full cost of service analysis, which has not been performed. Using the average of the Commission-approved rate increases in the last two PSNH rate cases (Docket Nos. DE 09-035 & DE 06-028), the benefits of the two-year stay-out could be quantified at roughly $38.6 million per year, or $77.2 million over the two years of the stay-out. These figures appear on Line 19 of Exhibit EHC-1, Page 1.

Q. Are the Reliability Enhancement Program ("REP"), major storm cost recovery, and exogenous events provisions of the rate case settlement retained?

A. Under the Settlement Agreement, the Settling Parties have agreed to the continuation of REP along with continuation of the current major storm cost recovery and exogenous events provisions.

Q. Please discuss how REP will be impacted by the Settlement Agreement.

A. Reliability measures have improved significantly since REP began back in 2007, and the continuation of funding for this program should lead to continued increased reliability for PSNH customers. The Settlement Agreement calls for a REP rate filing that will calculate the revenue requirement associated with all actual REP capital additions from April 1, 2013 to March 31, 2015 and forecasted period of April 1, 2015 to June 30, 2016. In addition, as part of the Settlement Agreement, PSNH will continue to collect the $4 million in current REP funding as well as $3.010 million in funding that will be redirected to REP that was associated with the amortization of the 2010 wind storm.

PSNH made the filing anticipated by the Settlement Agreement on June 10, 2015 and, on June 25, 2015 in Order No. 25,793, the Commission approved the necessary revenue requirement for inclusion in PSNH's July 1, 2015 rates, on a temporary basis, pending the Commission's review of the Settlement Agreement. In April 2016, the Company will make a filing to reconcile the prior year REP activities and forecast budgeted activities through June 30, 2017.

Q. What are the expected distribution rate impacts of the REP program?

A. Per the Company's filing, as approved by the Commission, starting on July 1, 2015 there was an annual increase of $5.6 million (0.070 cents per kwh) related to recovery associated with capital additions from April 1, 2013 through June 30, 2015. In addition, the Company estimates an annual increase starting on July 1, 2016 of $5.0 million related to recovery associated with capital additions from July 1, 2015 through June 30, 2016.

The net impact of these two rate changes is an estimated increase in revenue requirement from July 1, 2015 through July 1, 2017 of $16.2 million, with increases by year of $2.8 million in 2015, $8.1 million in 2016, and $5.3 million in 2017. These figures appear on Line 20 of Exhibit EHC-1, Page 1.

Q. How does the Settlement Agreement deal with storm funding?

A. The storm funding provision in the Settlement Agreement benefits customers in that it allows for expedited recovery of storm costs that the Company has incurred, leading to lower overall carrying costs paid by customers on the unfunded storm costs. During the term of the Settlement Agreement, the Company will continue to amortize the December 2008 ice storm and collect the $12 million in major storm cost recovery funding. With the exception of the 2008 ice storm, all pre-staging and major storms will accrue carrying charges at the stipulated rate of return utilizing a 60/40 debt/equity split and an 8 percent ROE and the current cost of capital.

Q. Please explain the exogenous events clause in the Settlement Agreement.

A. During the term of this Settlement Agreement, PSNH will be allowed to adjust distribution rates upward or downward resulting from Exogenous Events for any of the event defined as a State Initiated Cost Change, Federally Initiated Cost Change, Regulatory Cost Reassignment, or Externally Imposed Accounting Rule Change. PSNH will adjust distribution rates upward or downward (to the extent that the revenue impact of such event is not otherwise captured through another rate mechanism that has been approved by the Commission) if the total distribution revenue impact (positive or negative) of all such events exceeds $1,000,000 (Exogenous Events Rate Adjustment Threshold) in any calendar year beginning with 2015.

CLEAN ENERGY PROVISIONS

Q. Please describe the provisions in the Settlement Agreement for the Clean Energy Fund.

A. As stated in the Settlement Agreement, PSNH agrees to provide $5 million to capitalize a Clean Energy Fund upon closing on the RRBs. This amount will not be recovered from customers. Details regarding the Clean Energy Fund will be established via a collaborative process overseen by Commission Staff and the Office of Energy and Planning. General principles governing the uses of the Clean Energy Fund and any programs supported by the Fund will include but not be limited to: 1) innovation in achieving clean energy benefits; 2) leveraging of various sources of funds including attracting private capital to the fund and to programs supported by the fund; 3) expanding access to clean energy across customer classes in a cost-effective manner; and 4) avoiding undue administrative costs.

Q. How will charges for energy efficiency and distributed energy investments related to the new Clean Energy Fund be implemented?

A. As stated in the Settlement Agreement, PSNH agrees to work with interested parties to establish and implement increased energy efficiency savings and distributed energy investment targets. PSNH shall be allowed recovery of all prudent costs associated with the energy efficiency and distributed energy investments required to meet these targets. Such recovery will occur via the System Benefits Charge or other non-bypassable charge or rate approved by the Commission. As these investments have yet to be defined, no charges related to the Clean Energy Fund have been included in my analysis.

Q. **Does this conclude your testimony?**

A. Yes, it does.