STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 19-057

REQUEST FOR PERMANENT RATES

DIRECT TESTIMONY OF

ERICA L. MENARD and EDWARD A. DAVIS

Step Adjustment Revenue Requirement and Rates

On behalf of Public Service Company of New Hampshire

d/b/a Eversource Energy

October 9, 2020

Table of Contents

STATE OF NEW HAMPSHIRE

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF
ERICA L. MENARD and EDWARD A. DAVIS

PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY
REQUEST FOR PERMANENT RATES

Docket No. DE 19-057

I. INTRODUCTION

Q. Ms. Menard, please state your full name, position and business address.

A. My name is Erica L. Menard. I am employed by Eversource Energy Service Company as Manager of New Hampshire Revenue Requirements. My business address is 780 North Commercial Street, Manchester, New Hampshire.

Q. What are your principal responsibilities in this position?

A. In my role as Manager of New Hampshire Revenue Requirements, I am responsible for the coordination and implementation of revenue requirements calculations for Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource" or the "Company") in New Hampshire as well as the filings associated with the Company's Energy Service ("ES") rate, Stranded Cost Recovery Charge ("SCRC"), Transmission Cost Adjustment Mechanism ("TCAM"), and Distribution Rates.

Q. Mr. Davis, please state your full name, position and business address.

A. My name is Edward A. Davis. I am employed by Eversource Energy Service Company as the Director of Rates. My business address is 107 Selden Street, Berlin, Connecticut.

Q. What are your principal responsibilities in this position?

A. As the Director of Rates, I am responsible for activities related to rate design, cost of service and rates administration for all electric and gas subsidiaries of Eversource Energy, including the Company.

Q. Did you both previously sponsor testimony in this docket that contains additional information on your professional experience and educational backgrounds?

A. Yes, Ms. Menard submitted direct testimony as part of the Company's initial request for permanent rates on May 28, 2019 and rebuttal testimony jointly with Company Witnesses Lee G. Lajoie and David L. Plante on March 4, 2020. Mr. Davis submitted direct testimony as part of the Company's temporary rate request on April 26, 2019, as part of the initial request for permanent rates on May 28, 2019, and as part of the Company's rebuttal testimony on March 4, 2020.

Q. What is the purpose of your testimony?

A. The purpose of our joint testimony is to support the request for an increase in distribution rates, to be effective January 1, 2021, as provided in Section 10 of the Settlement Agreement filed on October 9, 2020 in this docket. This is the first requested step increase referenced in the Settlement Agreement and pertains to certain projects placed in service during calendar year 2019. Our testimony addresses the revenue requirement calculations, rate design and rate impacts from this first step increase related to the relevant plant additions, consistent with the terms of the Settlement Agreement. Documentation on the projects themselves is included with the joint testimony of Messrs. Lajoie and Plante, which accompanies our testimony.

Q. Are you presenting any attachments in support of your testimony?

A. Yes, we are presenting the following attachments in support of this testimony:

Attachment	Description
Attachment ELM-EAD-1	Revenue Requirement
Attachment ELM-EAD-2	Distribution Increase Effective January 1, 2021
Attachment ELM-EAD-3	Permanent Rate Design 2020 Step Adjustment
Attachment ELM-EAD-4	Bill Calculation for Residential Service Rate R

Q. How is your testimony organized?

A. Following this introduction, Section II discusses the Settlement Agreement requirements, Section III explains the revenue requirement calculation, and Section IV provides the rate calculations.

II. SETTLEMENT AGREEMENT REQUIREMENTS

Q. Could you please describe what the Settlement Agreement provides relative to the step adjustments?

A. Yes. Section 10 of the Settlement Agreement on permanent rates in this docket provides for three step adjustments. This testimony supports the first of those adjustments. Under the Settlement Agreement, this step recovers the costs associated with capital projects placed in service during 2019, excluding new business projects. That is, it excludes projects that were done to support new business on the basis that such projects are expected to support themselves through newly generated revenue.

As for the step adjustment itself, it is capped at $11 million in revenue, and any revenue requirement above that amount would be deferred for some other means of recovery. If the revenue requirement came in under $11 million, then only the actual amount would be recovered. Also, due to the timing of this step, the rate for this step is designed to recover the total amount of the step adjustment over seven months from January 1, 2021 through August 1, 2021, when the second step adjustment would take effect. The second and third steps will include recovery on a 12-month basis. The rate impact is described in greater detail below.

Q. Does the Settlement Agreement call for a revenue requirement calculation design to be used for this step adjustment?

A. As noted in Section 10 of the Settlement Agreement, the method for calculating the revenue requirement for the step adjustment was undertaken in a manner similar to that included at Bates 313-320 (Attachment EHC/TMD-3 (Perm)) of the Company's May 28, 2019 permanent rate filing in this case (the "Initial Filing"). However, unlike the Company's Initial Filing, this calculation excludes recovery of Enterprise IT Project costs and Union Contractual Adjustments. For the first step increase, the Company has a cap of $11 million as defined in the Settlement Agreement. For this step increase, the Company has allocated the overall increase of $10,651,000 based on the revenue percentage for each rate class as described below.

Q. Does the Settlement Agreement call for a particular rate design to be used for this step adjustment?

A. Not directly, no. Section 14 of the Settlement Agreement describes the revenue allocation that will be applied for the permanent rate increase. Specifically, the Settlement Agreement states that costs attributable to the outdoor lighting classes will be directly assigned to those classes, and the remainder of the costs will be allocated to each customer class on an equal percent basis. The recoupment and step increase revenues are allocated among classes on the basis of their respective distribution revenue, which is equivalent to each class receiving an equal percentage allocation of such increase.

III. REVENUE REQUIREMENT CALCULATION

Q. With the above general understandings, please explain how you calculated the revenue requirement for the projects for which you are seeking recovery in this step adjustment.

A. As shown in Attachment ELM/EAD-1 on page 1, the revenue requirement for the first step adjustment calculated by first computing the year over year net change in plant between year ending December 31, 2018 and year ending December 31, 2019 as shown on line 5. Then, the return is calculated on net plant as shown on line 8 using the rate of return and gross revenue conversion factor. Depreciation and property taxes are added to calculate the total revenue requirement of $10,651,000. Since the calculated revenue requirement is below the threshold $11 million for the first step increase, the entire amount is included in this first step increase.

Page 2 of Attachment ELM/EAD-1 provides more detail on the distribution plant placed in service, excluding new business. The detail of the plant additions shown on line 7 are provided by project in the Lajoie/Plante testimony.

Page 3 of Attachment ELM/EAD-1 provides the detail on the capital structure as agreed upon in the Settlement Agreement in this docket.

Page 4 of Attachment ELM/EAD-1 provides the computation of the Gross Revenue Conversion Factor (GRCF) based on New Hampshire corporate business tax of 7.7 percent and federal income tax rate of 21 percent for the taxable period ending December 31, 2019. The rate of return and GCRF are used to calculate the return on the net plant.

Page 5 of Attachment ELM/EAD-1 provides the detail behind the calculation of the composite depreciation rate of 3.15 percent used to apply a depreciation factor to the revenue requirement.

Page 6 of Attachment ELM/EAD-1 provides the computation of the property tax rate to apply to the revenue requirement.

IV. RATE CALCULATIONS

Q. Please explain how you calculated the rates for this step adjustment.

A. Because the revenue requirement recovery period for the first step is less than 12-months, the Company calculated the rate design revenue that rates would be set to in order to recover the step increase over seven months (i.e., January 1, 2021 to July 31, 2021, inclusive). This increase, when allocated to each rate class, is then designed to be recovered through volumetric or demand rates, depending on the distribution rate structure of each rate class. The Company did not adjust the Customer Charge for the step increase. Details of the rate design for each rate class are provided in Appendix 10 of the Settlement Agreement.

Q. What are the impacts related to the rate calculations you have described?

A. The attachments to our testimony provide the percentage impacts of the rate adjustment to each of the customer classes. Attachment ELM/EAD-2 shows the overall impacts, Attachment ELM/EAD-3 shows rate design for the step adjustment, and Attachment ELM/EAD-4 shows the bill impact for a 650 kWh residential customer.

In looking at the rate and bill impacts, it is important to keep in mind the shortened period of recovery associated with this first step.

Q. Are the revenue requirements and rates just and reasonable?

A. Yes. The revenue requirement calculation and resulting rate impacts are consistent with the Settlement Agreement and result in rates that are just and reasonable.

Q. Does this complete your testimony?

A. Yes, it does.