STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 19-057

REQUEST FOR PERMANENT RATES ADJUSTMENT

DIRECT TESTIMONY OF

ERICA L. MENARD and JENNIFER A. ULLRAM

Step Adjustment Revenue Requirement and Rates

On behalf of Public Service Company of New Hampshire

d/b/a Eversource Energy

May 3, 2021

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PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
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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"), Regulatory Reconciliation Adjustment ("RRA") and Distribution Rates.

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

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

Q. What are your principal responsibilities in this position?

A. As the Manager of Rates, I am responsible for activities related to rate design, cost of service and rates administration for Connecticut and New Hampshire 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. Edward Davis initially 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, as part of the Company's rebuttal testimony on March 4, 2020. Ms. Ullram subsequently adopted that testimony and was the witness for it.

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 August 1, 2021, as provided in Section 10 of the Settlement Agreement filed on October 9, 2020 and approved by the Commission per Order No. 26,433 on December 15, 2020 and Order No. 26,439 on December 23, 2020 in this docket. This request is for the second step increase referenced in the Settlement Agreement and pertains to certain projects placed in service during calendar year 2020. Our testimony addresses the revenue requirement calculations, rate design and rate impacts 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, Plante and Devereaux, 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/JAU-1	Revenue Requirement
Attachment ELM/JAU-2	Distribution Rate Increase and Bill Impact Calculations Effective August 1, 2021
Attachment ELM/JAU-3	Clean and Redline Tariffs

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 second of those adjustments. Under the Settlement Agreement, this step recovers the costs associated with capital projects placed in service during 2020, 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 $18 million in revenue, and any revenue requirement above that amount will be deferred for some other means of recovery. If the revenue requirement is less than $18 million, only the actual amount will be recovered. The rate for this step is designed to recover the total amount of the step adjustment and be effective over the twelve-month period August 1, 2021 through July 31, 2022. The third step will also include recovery on a 12-month basis for effect beginning August 1, 2022. The rate impact of the second step adjustment 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 is similar to the Company's Settlement Agreement – Step 1 Revenue Requirement filing on October 9, 2020 (see Bates pages 40-51, Attachments ELM/EAD-1 to 4). For this second step increase, the Company has a cap of $18 million as defined in the Settlement Agreement. As shown in this filing, the Company has allocated the overall step 2 revenue requirement increase of $11,126,440 based on the revenue percentage for each rate class as described below.

Q. Please explain why the second step increase is significantly under the $18 million cap contemplated in the Settlement Agreement.

A. Actual plant in service additions for the period ending 12/31/2020 was $124.2 million which was lower than the amount in the five year plan that was the basis of the settled upon

$18 million cap. Plant additions in 2020 were lower due to delays in some larger substation and facilities projects being placed in service by the 12/31/2020 date.

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 Settling Parties agreed that the revenue increase would be allocated in equal proportionality among the classes. In this filing, the Company has allocated the step increase revenues among classes based on 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/JAU-1 on page 1, the revenue requirement for the second step adjustment was calculated by first computing the year over year net change in plant between year ending December 31, 2019 and year ending December 31, 2020 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 $11,126,440. Since the calculated revenue requirement is below the threshold of $18 million for the second step increase, the entire amount is included in this second step increase.

Page 2 of Attachment ELM/JAU-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/Devereaux testimony.

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

Page 4 of Attachment ELM/JAU-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, 2020. The rate of return and GCRF are used to calculate the return on the net plant.

Page 5 of Attachment ELM/JAU-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/JAU-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. The revenue requirement recovery period for the second step increase is for the 12-month period August 1, 2021 through July 31, 2022. Therefore, the Company calculated the rate design revenue that rates would be set to recover the step increase over this twelve-month period. 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. Details of the rate design for each rate class are provided in ELM/JAU-2 to this filing.

Q. The Settlement Agreement indicates that the Company will not adjust the Customer Charge for any increases. Why has the Customer Charge for Controlled Water Heating ("CWH") and Load Control Service ("LCS") rates changed?

A. As part of the Company's distribution rate filing, the Company combined CWH and Uncontrolled Water Heating ("UWH") and phased-in rate changes to move CWH to UWH rates. In addition, the Company described that LCS rates (excluding the radio-controlled option) would be set equal to Water Heating rates. The Company described that this process would be done in over a two-year phase in period so as to not result in significant bill impacts to those customers. (See Docket DE 19-057, Testimony of Edward A. Davis, pages 12-14). This is the second phase of the two-year plan and in order to have one combined rate for these classes, it is necessary to update the Customer Charge so they are equal for each of these rate classes.

Q. Why is the overall distribution rate increase associated with Step 2 shown in Attachment ELM/JAU-2, page 6 not equal to the revenue requirement increase provided above?

A. In the Step 1 adjustment implemented on January 1, 2021, the Company recovered the $10.610 million over 7 months which resulted in a grossed-up revenue requirement of

$18.189 million. Because the current distribution revenue requirement being recovered is higher due to the Step 1 increase, the incremental adjustment for Step 2 is lower than the $11.126 million being requested. Attachment ELM/JAU-2, Page 6 provides the calculation of the total revenue requirement to be recovered beginning August 1, 2021.

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/JAU-2, Pages 1 through 5 shows the overall revenue impacts, Attachment ELM/JAU-2, Pages 6 through 27 shows rate design and resulting rates and revenue by rate class for the step adjustment, and Attachment ELM/JAU-2, Pages 28 through 50 shows the bill impacts for each rate class. ELM/JAU-2, Page 28 shows a bill impact of $0.30 per month for a 650 kWh residential customer.

The rate and bill impacts reflect the twelve-month period August 1, 2021 through July 31, 2022 of recovery associated with this second step increase and the proposed Regulatory Reconciliation Adjustment rate filed on April 30, 2021.

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.