STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 21-029

REQUEST FOR MODIFICATION TO REGULATORY

RECONCILIATION ADJUSTMENT RATE

DIRECT TESTIMONY OF

Marisa B. Paruta
Erica L. Menard
Jennifer A. Ullram

Regulatory Reconciliation Adjustment Rate

On behalf of Public Service Company of New Hampshire

d/b/a Eversource Energy

December 15, 2021

STATE OF NEW HAMPSHIRE

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

PREPARED JOINT TESTIMONY OF
MARISA B. PARUTA, ERICA L. MENARD and JENNIFER A. ULLRAM

PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY
REQUEST FOR MODIFICATION TO REGULATORY RECONCILIATION ADJUSTMENT RATE

December 15, 2021

Docket No. DE 21-029

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

A. My name is Marisa B. Paruta. My business address is 107 Selden Street, Berlin, Connecticut. I am employed by Eversource Energy Service Company as the Director of Revenue Requirements for Connecticut and New Hampshire.

Q. Have you previously testified before the New Hampshire Public Utilities Commission ("Commission")?

A. No.

Q. Please provide your educational and professional background.

A. I received a Bachelor of Arts degree in accounting from the University of Connecticut School of Business. I started my career at Arthur Andersen in the client audit and assurance practice, continuing at Deloitte in the same practice. I joined Northeast Utilities, Eversource's predecessor, and worked in the Accounting organization through multiple positions leading to the Director of Corporate Accounting and Financial Reporting. I moved to the Regulatory and Revenue Requirements team in my current position in June 2021. I have been with Eversource Energy for over 18 years.

Q. What are your principal responsibilities in this position?

A. As the Director of Revenue Requirements, I am responsible for the coordination and implementation of revenue requirements calculations and regulatory filings for the Connecticut and New Hampshire electric and gas subsidiaries of Eversource Energy, including Public Service Company of New Hampshire d/b/a Eversource Energy ("PSNH", "Eversource" or the "Company").

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

A. My name is Erica L. Menard. 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 the Company.

Q. Have you previously testified before the Commission?

A. Yes.

Q. What are your principal responsibilities in this position?

A. I am responsible for the coordination and implementation of revenue requirements calculations and regulatory filings 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"), System Benefits Charge ("SBC"), Regulatory Reconciliation Adjustment ("RRA") mechanism and Distribution Rates.

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

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

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. What is the purpose of your joint testimony?

A. The purpose of our joint testimony is to propose and explain an interim rate adjustment to the Company's RRA rate as described in the October 9, 2020 Settlement Agreement filed in Docket No. DE 19-057 (the "Settlement Agreement"). The Settlement Agreement was approved in Order No. 26,503 (July 30, 2021) and included an RRA rate that was effective August 1, 2021. Our proposed adjustment to the RRA rate would be in effect for the six-month period beginning February 1, 2022. The Company has also prepared bill impacts and tariff changes reflecting the proposed RRA revenue requirement and rate presented here. The bill impacts and tariff changes encompassing all rate changes are provided in Attachments MBP/ELM/JAU-3 and MBP/ELM/JAU-4.

Q. Please explain why the Company is proposing an interim rate adjustment at this time.

A. Per the terms of the Settlement Agreement[1] and consistent with the Company's initial request in this docket, Eversource refunded an amount of $3.482 million through the RRA for the six-month period July to December 2020 related to the vegetation management component of the RRA. The over-recovered vegetation management amount of $3.482 million, was the difference between the: (i) amount used as the base rate recovery level ($6.000 million); and (ii) actual vegetation management spending ($2.518 million). During the July 16, 2021 hearing on the matter, the Department of Energy ("DOE") disputed the $6.000 million used as the base rate recovery level. Order No. 26,503 (July 29, 2021) issued in this docket approved the refund amount; however, the record was held open on the matter to allow for additional filings, testimony and a further hearing if required to address this issue. Since the date the Order was issued, the Company has had time to review its analysis, engage with DOE on the matter and is presenting a proposed rate adjustment to reflect the Company's findings.

Q. Please provide the Company's analysis and findings.

A. Eversource has determined the amount used as the base rate recovery level was incorrect and is proposing a revised reconciliation amount based on this finding. The Company recommends a corrected vegetation management program refund amount of $4.332 million for the six-month period July to December 2020, which is $0.850 million higher than the

[1] Settlement Agreement, Section 6 at Bates 11-12 and Section 9.1(b) at Bates 15-16.

refund proposed in the initial RRA rate filing and presently included in rates. The $4.332 million is the difference between: (i) the actual amount recovered in base distribution rates ($6.850 million, DE 19-057 annual Temporary Base Rate recovery amount of $13.7 million divided by two); and (ii) actual vegetation management spending ($2.518 million). The revised vegetation management program refund amount is shown in Attachment MBP/ELM/JAU-1 and Attachment MBP/ELM/JAU-2. On October 3, 2021, the Company engaged in discussions with DOE, presented its analysis and findings to the DOE and the proposal for an adjustment as of February 1, 2022. It is Eversource's understanding, based on this communication with the DOE, that the DOE intends to express support for this proposal.

Q. Please explain why the Company is adjusting the amount recovered in base rates.

A. In the initial RRA filing, the Company calculated the amount used as the base rate recovery level for the six-month period July to December 2020 to be $6.000 million. This was based on the assumption that the level of vegetation management program spending in the second half of the approved 12-month temporary rates was carried into the extended six-month period of time as a result of the pandemic, until which time the permanent rates went into effect.

Section B.e of the Temporary Rate Settlement Agreement (June 13, 2019), at 5, states:

> for the period of July 1 through December 31, 2019, the Company will be allowed to spend up to $7.7 million on the described VM

> activities related to ETT, hazard tree removal, and ROW clearing, **and for the period of January 1 through June 30, 2020, the Company will be allowed to spend up to $6 million in VM activities related to ETT, hazard tree removal, and ROW clearing**. To the extent the Company spends less than the above amounts in either of the two described periods, the amount underspent in each period will be credited to customers through an appropriate mechanism at the time permanent rates are determined. The intent of this provision is to cap the total of VM spending related to ETT, hazard tree removal, and ROW clearing by the Company at no more than $13.7 million in the 12-month period of July 1, 2019 through June 30, 2020. To the extent the Company spends more than the above amounts in either of the described periods, the Company will not include the amounts greater than the described amounts in the calculation of the recoupment at the time that permanent rates are determined, or anytime in the future.

(emphasis added).

The Temporary Rate Settlement Agreement was approved in its entirety in Order No. 26,265 (June 27, 2019). On March 24, 2020, Commission Staff (Commission Staff are now DOE) filed a letter in the docket describing the status of the matter and the agreement of the Company to a three-month extension of the procedural schedule to account for the state of emergency declared by Governor Sununu on March 13, 2020, in response to the COVID-19 pandemic. The Company confirmed its agreement to the three-month extension in a letter filed on March 26, 2020. On April 24, 2020, Governor Sununu issued Exhibit D to Executive Order #29, pursuant to Executive Order 2020-04 and, extending the Commission's authority to suspend rate schedules by six months, from 12 to 18 months. In the Commission Staff's March 24, 2020 letter, the Commission Staff stated that the:

> settlement agreement provided among other things, for the funding of vegetation management activities at specified levels through June

> 30, 2020, subject to refund to customers for any amounts recovered but not spent by the Company. Under the revised procedural schedule, Eversource will continue to bill at the approved temporary rates and manage its vegetation program to amounts recovered in rates for this initiative. Thus, the Company will refund to customers any over recovery for amounts recovered but not spent related to vegetation management activities during the term of the extension period, consistent with the temporary rate settlement.

March 24, 2020 Letter at 2. In Eversource's March 26, 2020 confirmation letter, it states its "agreement with the three-month extension described in the Commission Staff's March 24 letter and the terms of that extension, including those pertaining to temporary rates."

Since the Temporary Rate Settlement Agreement prescribed an amount of $6.000 million allowed to be spent on vegetation management activities for the second six-month period, the Company understood the level of spending was to be capped at $1.0 million per month until permanent rates were approved. Therefore, when determining the base rate amount for the extended temporary rate period of July-December 2020, the Company used $6.000 million as the amount being recovered in base rates. Upon further review, and in conference with DOE (as Commission Staff's successors), the Company agrees that $6.000 million was not the correct amount to use as the base rate level against which to reconcile actual vegetation management expenses.

Q. Please explain the DOE's position on this issue at the time of the hearing?

A. The DOE's position was that the Company should have used the amount allowed in permanent rates of $13.1 million, as allocated over a six-month period, or $6.550 million.

Q. Does the Company agree with the DOE's position?

A. The Company does agree with the DOE's position that the amount used for base distribution rates was incorrect, however does not agree with the number proposed.

Q. Please explain what the Company believes is the correct number to use as the base distribution rate level.

A. In addition to reviewing the Temporary Rate Settlement Agreement, Order No. 26,265 approving the temporary rates, and the other materials relating to the extension of temporary rates as described above, the Company reviewed the recoupment calculation filed as part of the permanent rate case. In the recoupment calculation filed as part of the Settlement, there was a specific adjustment made for vegetation management to remove the effects of the difference between the temporary and permanent rates from the recoupment calculation. This removal of the vegetation management component effectively continued the rates established for vegetation management as part of the Temporary Rate Settlement Agreement to be extended until permanent rates went into effect on January 1, 2021.

Based on the review of this information, the Company should have used the full annual amount allowed in temporary rates for the period from July 1, 2020 through December 31, 2020. The full annual amount was $7.7 million for July 1, 2019 through December 31, 2019 plus $6.0 million for January 1, 2020 through June 30, 2020 for a total of $13.7

million over a twelve-month period. At this annual level, the six-month extension would be half of the $13.7 million temporary rate level, or $6.850 million.

Q. Why should the temporary rate level be used instead of the permanent rate level?

A. Permanent rates went into effect on January 1, 2021. At that time, the new vegetation management funding level of $27.1 million was established. Within that $27.1 million funding level, $13.1 million was associated with the three programs in effect (Enhanced Tree Trimming, Hazard Tree and Right of Way Clearing). Prior to January 1, 2021, the Company was operating under the temporary rate order for vegetation management funding.

In New Hampshire, when a rate case is completed, the Company must complete a recoupment calculation to reconcile the revenue requirement level established in the temporary rate with that approved in the permanent rate. In this case, the recoupment calculation was performed. As identified in the October 9, 2020 Settlement Agreement on Bates page 44, there was a specific adjustment to eliminate the impact of vegetation management on recoupment, consistent with the temporary rate settlement agreement. This adjustment held the temporary rate level of $13.7 million associated with vegetation management. Therefore, that was the amount collected from customers in base rates until the permanent rates went into effect on January 1, 2021. Accordingly, to address that overcollection, the Company seeks to revise the amount identified in base rates to be the

$6.850 million established in temporary rates for the July 1, 2020 through December 31, 2020 vegetation management reconciliation.

Q. Please summarize the Company's request.

A. Eversource's calculation of the adjusted average RRA rate is proposed to be refunded over the six-month period February 1, 2022 to July 31, 2022, resulting in an overall average rate of negative 0.035 cents/kWh. This adjusted rate is 0.023 cents/kWh of a higher credit than the presently approved rate of negative 0.012 cents/kWh. The Company is requesting that the Commission approve this adjusted rate as described above. Moreover, although the RRA is intended to be adjusted on August 1 of each year, Eversource is requesting that the Commission approve this "off cycle" adjustment because the Commission had held the record open in this matter to specifically resolve this matter and by making an adjustment on February 1, 2022, the Commission will thereafter be able to close the record and proceeding and allow the next RRA filing to be "clean." Also, Eversource is requesting that the Commission approve this adjustment because it will enable the Company to align this adjustment with other adjustments proposed for February 1, 2022 and mitigate any overall bill impacts that would otherwise occur.

Q. Has the proposed adjusted RRA rate been calculated consistent with the Settlement and Commission Order No. 26,433 approved in Docket No. DE 19-057 and Order No. 26,503?

A. Yes, the proposed adjusted RRA rate has been prepared consistent with the terms of Section 6 and Section 9 of the Settlement. In addition, Eversource has taken the necessary steps to ensure it has met its burden of demonstrating the adjusted amount of vegetation management program refund presented in this filing is reasonable[2].

Q. Please describe how the average RRA rate is calculated.

A. Attachments MBP/ELM/JAU-1 and MBP/ELM/JAU-2 provide calculations of the revised vegetation management variance for the calendar year 2020. The additional $0.850 million is proposed to be refunded over the February 2022 to July 2022 time period. No other components were adjusted in the RRA. The RRA will be reconciled against actual collections on an annual basis and adjusted with the filing for rates effective August 1, 2022 when the regular RRA filing is made. The table below provides the rate calculation for each component as approved in Order No. 26,503, the proposed adjusted RRA rate for the vegetation management component, and the average rate for all components in the RRA that is subject to approval.

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2 Order No. 26,503 at 4.

Cost Category	**Current Rate (cents/kWh)**	**Proposed Rate (cents/kWh)**	**Change**
Regulatory Assessments/PUC and OCA Consultants	0.006	0.006	0.000
Vegetation Management Program (VMP)	(0.045)	(0.067)	(0.023)
Property Tax Expense	0.027	0.027	0.000
LBR due to Net Metering	0.004	0.004	0.000
Storm Cost Amortization Reconciliation	(0.003)	(0.003)	0.000
Total Average RRA[3]	(0.012)	(0.035)	(0.023)

Q. How has the Company allocated the total average RRA rate to each rate class?

A. The Company has allocated the total average RRA rate to each class using the same allocation methodology used to allocate the Step 1 and Step 2 rate adjustments. That is, the Company calculated an equal percentage decrease to each rate class and set rates using the target revenue decrease for each rate class. Attachment MBP/ELM/JAU-3, page 3 provides the revenue allocation to each rate class and page 4 calculates the kWh or kW rates for each rate class. The proposed rates are included on page 1 of Attachment MBP/ELM/JAU-3.

Q. Has the Company included rate exhibits and calculations of the customer bill impacts for the proposed February 1, 2022 RRA rate change?

A. Yes, this detail is provided in Attachment MBP/ELM/JAU-3.

[3] Numbers may not add due to rounding.

- Page 5 provides a comparison of residential rates proposed for effect February 1, 2022 to current rates effective August 1, 2021 for a 550 kWh monthly bill, a 600 kWh monthly bill, and a 650 kWh monthly bill.

- Page 6 provides a comparison of residential rates proposed for effect February 1, 2022 to rates effective February 1, 2021 for a 550 kWh monthly bill, a 600 kWh monthly bill, and a 650 kWh monthly bill.

- Page 7 provides the average impact of each change on bills for all rate classes by rate component on a total bill basis, excluding energy service.

- Page 8 provides the average impact of each change on bills for all rate classes by rate component on a total bill basis, including energy service.

The rate impacts provided in Attachment MBP/ELM/JAU-3 incorporate the rates reflecting: (i) the permanent Distribution rates approved in Docket No. DE 19-057 in Order No. 26,433 (December 15, 2020), Order No. 26,439 (December 23, 2020) and Order No. 26,504 (July 30, 2021) and in effect as of August 1, 2021; (ii) the Energy Service rate reflecting rate changes approved in Docket No. DE 21-077 in Order No. 26,491 (June 24, 2021) and in effect as of August 1, 2021; (iii) the Stranded Cost Recovery Charge rate reflecting rate changes approved in Docket No. DE 21-117 in Order No. 26,502 (July 29, 2021) and in effect as of August 1, 2021; (iv) the Transmission Cost Adjustment Mechanism rate reflecting rate changes approved in Docket No. DE 21-109 in Order No.

26,501 (July 29, 2021) and in effect as of August 1, 2021; (v) the System Benefits Charge rate reflecting rate changes approved in in Docket No. DE 17-136 in Order No. 26,323 (December 21, 2019) and Docket No. DE 20-092 and Order No. 26,440 (December 29, 2020) and in effect as of January 1, 2021; and (vi) the RRA rate change proposed in this filing.

There are several rate changes expected to be proposed for effect on February 1, 2022, however those changes are not approved at this time and have not been incorporated into the typical bill comparison in Attachment MBP/ELM/JAU-3 at this time. The typical bill comparison reflects only the change proposed in this instant docket.

Q. Has the Company provided updated Tariff pages as part of this filing?

A. Yes. Updated tariff pages are provided in Attachment MBP/ELM/JAU-4.

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

A. Yes, Eversource would need final approval of the RRA rate by January 24, 2022, to implement the new rates for service rendered on and after February 1, 2022.

Q. Does this conclude your joint testimony?

A. Yes, it does.