STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 19-057

REQUEST FOR PERMANENT RATES ADJUSTMENT

DIRECT TESTIMONY OF

MARISA B. PARUTA and EDWARD A. DAVIS

Step 3 Adjustment Revenue Requirement and Rates

On behalf of Public Service Company of New Hampshire

d/b/a Eversource Energy

April 29, 2022

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

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I. INTRODUCTION

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

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

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 your current 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"). This includes filings associated with the Company's Energy Service ("ES"), Stranded Cost Recovery Charge ("SCRC"), Transmission Cost Adjustment Mechanism ("TCAM"), Regulatory Reconciliation Adjustment ("RRA") and Distribution rates.

Q. Have you previously sponsored testimony in this docket?

A. No, I have not.

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 Connecticut, Massachusetts and New Hampshire electric and gas subsidiaries of Eversource Energy, including the Company.

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

A. Yes. I previously submitted direct testimony as part of the (i) Company's temporary rate request filed on April 26, 2019; (ii) initial request for permanent rates filed on May 28, 2019, and (iii) Company's rebuttal testimony filed on March 4, 2020.

Q. What is the purpose of your testimony?

A. The purpose of our joint testimony is to support the Company's petition for an increase in distribution rates for the third step adjustment, to be effective August 1, 2022, as provided in Section 10 of the Settlement Agreement on Permanent Distribution Rates dated October 9, 2020 (the "Settlement Agreement") and approved by the Commission in Order No. 26,433 on December 15, 2020. The Commission previously approved step adjustments pursuant to the Settlement Agreement as follows: (i) Step 1 adjustment revenue requirement of $10.610 million per Order No. 26,439 on December 23, 2020; and (ii) the Step 2 adjustment revenue requirement of $10.969 million per Order No. 26,504 on July 30, 2021, both in this docket. This request is for the Step 3 adjustment referenced in the Settlement Agreement (Section 10.1(c)) and pertains to certain projects placed in service during calendar year 2021. 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 is included with the joint testimony of Company witnesses Russel Johnson, David Plante and James Devereaux, which accompanies the petition.

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 MBP/EAD-1	Revenue Requirement Calculation
Attachment MBP/EAD-2	Distribution Rate Increase, Rate Design and Bill Impact Calculations Effective August 1, 2022
Attachment MBP/EAD-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. Please describe the Settlement Agreement requirements relative to the step adjustments.

A. Section 10 of the Settlement Agreement provides for three step adjustments. This testimony supports the third of those adjustments. Under the Settlement Agreement, this step recovers the costs associated with capital projects placed in service during calendar year 2021, 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.

In accordance with Section 10.1(c)(i) of the Settlement Agreement, the third step adjustment is capped at $9.3 million in allowed revenue requirement. Any revenue requirement above that amount will be deferred for future recovery in the next base distribution rate case. If the revenue requirement is less than $9.3 million, only the actual amount will be recovered in the step adjustment. The rate for this third step adjustment is designed to recover the capped amount of $9.3 million, effective August 1, 2022, over a 12-month period. The rate impact of the third step adjustment is described in greater detail below.

Q. Does the Settlement Agreement provide 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 and Step 2 revenue requirement filings as approved in Order Nos. 26,439 (December 23, 2020) and 26,504 (July 30, 2021), respectively. As shown in this filing, the Company has allocated the capped Step 3 revenue requirement increase of $9.3 million 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 parties to the Settlement Agreement 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.

Consistent with prior step adjustments, distribution rates within each class have been designed in accordance with their respective allocated revenue.

III. REVENUE REQUIREMENT CALCULATION

Q. Based on the general understandings stated above, please explain how you calculated the revenue requirement for the projects for which the Company is seeking recovery in this step adjustment.

A. As summarized in Attachment MBP/EAD-1, page 1, the revenue requirement for the Step 3 adjustment was calculated by first computing the year-over-year net change in plant between the year ending December 31, 2020 and the year ending December 31, 2021 as shown on line 5. Then, the return on the net change in plant was calculated as shown on line 8 using the rate of return and gross revenue conversion factor. Depreciation and property taxes were added to calculate the total revenue requirement of $10,372,595. Because the calculated revenue requirement was above the Step 3 capped threshold of $9.3 million, the Company's request is limited to the $9.3 million capped amount for this Step 3 increase.

Page 2 of Attachment MBP/EAD-1 provides more detail on the distribution plant placed in service, excluding new business. The detail of the 2021 Distribution plant additions included in line 7 are provided by project in the Johnson/Plante/Devereaux testimony.

Page 3 of Attachment MBP/EAD-1 provides the detail on the cost of capital structure as provided in the Settlement Agreement.

Page 4 of Attachment MBP/EAD-1 provides the computation of the Gross Revenue Conversion Factor ("GRCF") based on the New Hampshire corporate business tax rate of

7.7 percent and the federal corporate income tax rate of 21 percent for the taxable period ending December 31, 2021. The rate of return and GCRF are used to calculate the return on the net plant.

Page 5 of Attachment MBP/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 MBP/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. As this is the third and final step adjustment provided for in the Settlement Agreement, the revenue requirement recovery period for the Step 3 increase begins August 1, 2022 and will continue until the time of the Company's next base distribution rate case. Therefore, the Company calculated the rate design revenue that rates would be set to recover the step increase over a twelve-month period. The annualized distribution revenue increase has been allocated to each rate class on a uniform percentage basis to determine the distribution revenue adjustments and rate design revenue targets for each class. Rates within each class have been designed to be recover these revenues 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 Attachment MBP/EAD-2 of this filing.

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

A. Attachment MBP/EAD-2 to this testimony provides the rate and bill impacts of this rate adjustment for each rate and customer class, and for customers at various usage levels within each class. These impacts reflect the twelve-month period August 1, 2022 through July 31, 2023 of recovery associated with the Step 3 increase. Attachment MBP/EAD-2, Pages 1 through 5 show the distribution and overall revenue impacts by customer class; Attachment MBP/EAD-2, Pages 6 through 27 provide the allocation of distribution revenue and setting of rate design targets, and show rate design and resulting rates and revenue by rate class for the Step 3 adjustment; and Attachment MBP/EAD-2, Pages 28 through 50 provide the associated bill impacts for customers within each rate class. Pages 1 through 5 of Attachment MBP/EAD-2 show an average impact of 2.2% for the distribution component of service and 0.6% overall. Page 28 shows that a residential customer using 650 kWh in a month would see a bill increase of $1.09, or 0.75%, relative to current rates.

Distribution rates submitted in this filing are proposed to become effective August 1, 2022.

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.