

STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
DIRECT JOINT TESTIMONY OF MARISA B. PARUTA AND JAMES E.
MATHEWS
PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY
REQUEST FOR TRANSMISSION COST ADJUSTMENT MECHANISM (TCAM)
RATE CHANGE

June 20, 2022

Docket No. DE 22-034

1 **Q. Please state your names, business addresses and your present positions.**

2 A. My name is Marisa B. Paruta. My business address is 107 Selden Street, Berlin,
3 CT. I am employed by Eversource Energy Service Company as the Director of
4 New Hampshire and Connecticut Revenue Requirements and in that position, I
5 provide service to Public Service Company of New Hampshire d/b/a Eversource
6 Energy (“Eversource” or the “Company”).

7 My name is James E. Mathews. My business address is 107 Selden Street, Berlin,
8 CT. I am employed by Eversource Energy Service Company as the Manager of
9 Rates and Revenue Requirements, Transmission and in that position, I provide
10 service to the Eversource Energy affiliated companies in Connecticut,
11 Massachusetts and New Hampshire, including the Company.

1 **Q. Have you previously testified before the Commission?**

2 A. Ms. Paruta: Yes, I have.

3 A. Mr. Mathews: Yes, I have.

4 **Q. What are your current responsibilities?**

5 A. Ms. Paruta: I am currently responsible for the coordination and implementation of
6 revenue requirements calculations for Eversource, as well as the filings associated
7 with Eversource's Energy Service ("ES") rate, Stranded Cost Recovery Charge
8 ("SCRC"), Transmission Cost Adjustment Mechanism ("TCAM"), Regulatory
9 Reconciliation Adjustment mechanism ("RRA"), and Distribution Rates.

10 Mr. Mathews: I am currently responsible for coordination and implementation of
11 wholesale transmission rate and revenue requirement calculations for Eversource. I
12 also have responsibility related to transmission rate filings before Eversource's
13 affiliated companies' three state utility commissions, as well as the Federal Energy
14 Regulatory Commission ("FERC").

15 **Q. What is the purpose of your joint testimony?**

16 A. Ms. Paruta: My testimony supports Eversource's TCAM filing for rates effective
17 August 1, 2022. The testimony and supporting attachments present the
18 reconciliation with actual data through May 31, 2022 and forecast data for the

1 period June 1, 2022 to July 31, 2023 for transmission costs as well as the proposed
2 TCAM rate to be effective beginning August 1, 2022.

3 Mr. Mathews: My testimony is to support and describe the year-to-year change in
4 both wholesale regional network service (RNS) and local network service (LNS)
5 transmission expenses.

6 **Q. What is Eversource requesting in this filing?**

7 A. Eversource is requesting approval of a forecasted average retail transmission rate
8 to be effective August 1, 2022, for a twelve-month billing period. In addition,
9 approval of the over- or under-recoveries resulting from the reconciliation of actual
10 transmission costs and revenues as compared to forecasted transmission costs and
11 revenues used in the previous rate filing is being requested. These requests are in
12 accordance with the Commission's approval of the settlement in Docket No. DE
13 06-028 (Distribution Rate Case), which included a provision for a transmission
14 cost adjustment mechanism.

15 **Q. Will anyone else be providing testimony in support of this filing?**

16 A. Yes. Edward A. Davis and David J. Burnham are each filing testimony in support
17 of the proposed retail transmission rates. Mr. Davis will detail the rates applicable
18 to each individual rate class. Mr. Burnham will be providing a description of

1 projects included in LNS rates as well as describing the planning process at ISO-
2 NE.

3 **Q. Describe the types of costs included in this TCAM filing.**

4 A. There are two different groups of recoverable costs within this TCAM filing. The
5 first group of recoverable costs consists of four cost categories of “wholesale
6 transmission” costs. The second group consists of two cost categories of “other
7 transmission” costs.

8 The “wholesale transmission” costs are as follows:

- 9 1. Regional Network Service (RNS) costs
- 10 2. Local Network Service (LNS) costs
- 11 3. Reliability costs
- 12 4. Scheduling and Dispatch (S&D) costs.

13 All of the recoverable transmission costs are regulated by the FERC. These costs
14 are discussed below in more detail.

- 15 1. RNS costs support the regional transmission infrastructure throughout New
16 England. RNS costs are charged to Eversource by ISO-NE based upon
17 tariffs approved by the FERC. RNS costs are billed to all entities in the
18 region that have RNS load responsibility, such as Eversource, based on
19 their monthly peak load.

- 1 2. LNS costs encompass Eversource’s local transmission costs that are not
2 included in the FERC-jurisdictional RNS tariff. These billings are also
3 governed by FERC-approved tariffs and through December 31, 2021 are
4 based on costs allocated to Eversource based on load ratio share¹.
5 Eversource’s load ratio share was calculated using a rolling twelve-month
6 coincident peak (12 CP). Effective January 1, 2022, wholesale LNS costs
7 are allocated to Eversource’s wholesale LNS customers on a state-by-state
8 basis, based upon a unit rate multiplied by the customer’s load at the time
9 of the local network peak.
- 10 3. Reliability costs include costs such as Black Start and VAR support that are
11 related to electric reliability. These reliability costs are billed to all entities
12 in the region that have RNS load responsibility, such as Eversource, based
13 on their monthly peak load.
- 14 4. S&D costs are associated with services provided by ISO-NE related to
15 scheduling, system control and dispatch services. These costs are billed by
16 ISO-NE to all entities in the region that have RNS load responsibility, such
17 as Eversource, based on their monthly peak load, in accordance with the
18 applicable FERC tariff.

¹ The wholesale Transmission rate transparency settlement, filed at FERC on June 15, 2020, was approved by FERC on December 28, 2020 in Docket No. ER20-2054-000. Per the terms of the Settlement, effective January 1, 2022, Local Service revenue requirements are billed based on state-by-state unit rates multiplied by the customer’s monthly load.

1 The “other transmission” costs and credits or revenues are as follows:

2 5. Hydro-Québec (HQ) Phase I/II support costs and related revenues,

3 6. TCAM working capital allowance return, and

4 7. HQ Interconnection Capacity Credits.

5 Other transmission costs and revenues (numbers 5 and 6) were previously
6 recovered through Eversource’s distribution rates, but were transferred in total or
7 in part to the TCAM for recovery, effective July 1, 2010, as part of a negotiated
8 “Settlement Agreement on Permanent Distribution Service Rates” (“Settlement
9 Agreement”) between Eversource, the Commission Staff, and the Office of
10 Consumer Advocate (OCA) in Docket No. DE 09-035 that was approved in Order
11 No. 25,123. These costs and revenues are discussed below in more detail.

12 5. HQ Phase I/II support costs are costs associated with FERC-approved
13 contractual agreements between Eversource and other New England
14 utilities to provide support for, and receive rights related to, transmission
15 and terminal facilities that are used to import electricity from HQ in
16 Canada. Under the amended, extended and restated agreements²,

² On December 18, 2020 in Docket No. ER21-712-000, the Asset Owners and the IRH Management Committee (“Filing Parties”) submitted to FERC for approval an Offer of Settlement (“Settlement”) that amended and restated the four Support Agreements and the Use Agreement as part of a comprehensive package that will provide for ongoing financial support of, and related rights and obligations with respect to, the Phase I/II HVDC-TF. The Settlement reflected the exercise by certain IRH of rights under the existing Support Agreements to extend the term of those Support Agreements another twenty years until October 31,

1 Eversource is charged its proportionate share of O&M and capital costs for
2 a twenty-year term that ends on October 31, 2040.

3 Prior to July 1, 2010, Eversource’s share of any revenue associated with HQ Phase
4 I/II was returned to customers through the ES rate. Effective July 1, 2010,
5 consistent with the requirements of NHPUC Order No. 25,122, in the 2010 TCAM
6 docket, Docket No. DE 10-158, Eversource began returning its share of any HQ
7 Phase I/II revenues to customers as a revenue credit in the TCAM. That credit
8 continues in the TCAM today³.

9 6. When the TCAM was initially approved in Docket No. DE 06-028, there
10 was no provision for a working capital allowance in the TCAM. The
11 TCAM working capital allowance continued to be included with the
12 distribution working capital allowance. As part of the Settlement

2040. Further, because the Use Agreement by its own terms will remain in effect through expiration of the term of the last Support Agreement, the term of Use Agreement was also extended to October 31, 2040. The Filing Parties asserted that the Phase I/II HVDC-TF are vitally important to both the New England and Québec regions and provide a variety of benefits to consumers in New England. In an order issued on May 20, 2021, FERC accepted the Settlement, finding that it appears to be fair and reasonable and in the public interest. 175 FERC ¶ 61,140 (2020). Materials pertaining to the extension were shared with the Commission, Staff, and OCA in January 2021, and notice of FERC’s acceptance of the Settlement was provided to the Commission, Staff, and OCA on May 24, 2021.

³ Public Service Company of New Hampshire (“PSNH”) and its affiliates, The Connecticut Light and Power Company (“CL&P”) and NSTAR Electric Company (“NSTAR” and together with PSNH and CL&P, “Eversource”), have issued Requests for Proposals for the Reassignment of their Use Rights on the Phase I/II HVDC-TF. Proposals were requested for 100% of the Eversource Use Rights or for tranches of their combined Use Rights in bid blocks of 25%, and a fixed dollar proposal was requested. Based on the recent proposals received, Eversource signed agreements to reassign all of its Use Rights to H.Q. Energy Services (U.S.) Inc. for a one-year term commencing June 1, 2022. All proceeds from the reassignment of Eversource’s Use Rights will be credited back on a pro rata basis (by IRH Participant Share percentage) to the retail customers of PSNH, CL&P and NSTAR. The forecast proceeds as a result of the most recent RFP for the period June 2022 to July 2023 are shown in Attachment MBP-1, pages 2 and 3, lines 8 and 10, respectively.

1 Agreement, the distribution revenue requirement calculation excluded
2 working capital on transmission costs. Therefore, the TCAM includes a
3 working capital allowance. An updated lead/lag analysis has been
4 completed for rates effective August 1, 2022 based on the lead/lag study
5 discussed later in this testimony.

6 7. HQ Interconnection Capacity Credits were historically included in the
7 Capacity Expense/Credit portion of the ES rate. With the transition from
8 the Eversource-owned generation energy service rates to the new market
9 solicitation rates effective April 1, 2018, it was appropriate to start
10 including these credits in the TCAM, as that is where HQ Phase I/II
11 Support Costs and Revenue Credits are included.

12 **Q. Please describe any one-time adjustments to the recoverable TCAM expenses**
13 **noted above and presented in this filing.**

14 A. Attachment MBP-1, Page 4, Line 21, reflects that Eversource halted LNS billings
15 to PSNH during the months of October through December in order to mitigate a
16 growing wholesale LNS over-recovery resulting primarily from higher RNS
17 revenue credits due to weather-related load increases. In addition, Line 23 also
18 reflects a one-time refund/true up amount of approximately (\$7.9) million recorded
19 in November 2021 to further mitigate the wholesale LNS over-recovery.

20

1 **Q. Please describe the overall mechanics of the TCAM as they are presented in**
2 **this filing.**

3 A. The TCAM is a mechanism that allows Eversource to fully recover defined FERC
4 and/or Commission-approved transmission costs. The proposed TCAM rate is
5 based on reconciliations of historic transmission costs and forecasted future
6 transmission costs using the latest known wholesale transmission rates calculated
7 under the FERC-approved tariffs.

8 There are two premises that form the basis of the TCAM. First, the TCAM sets
9 transmission rates for a defined future billing period based on transmission cost
10 estimates using current budget and forecast data supported by the latest known
11 wholesale transmission rates calculated under the FERC-approved tariffs. This
12 future billing period is referred to as the “forecast period”. Second, the TCAM
13 provides all available actual cost and revenue (recovery) data referred to as the
14 “reconciliation period”. Any over- or under-recoveries that are incurred in the
15 reconciliation period are rolled into the subsequent billing period as part of the
16 next TCAM rate.

17 **Q. What is the forecast period used in this filing, and what is the reconciliation**
18 **period?**

19 A. The forecast period in this filing is the twelve-month period August 2022 through
20 July 2023. The reconciliation period includes actual results for August 2021

1 through May 2022 and estimated results for June through July 2022. As noted
2 above, the Settled Formula Rate became effective January 1, 2022. Therefore,
3 actual costs during the reconciliation period will reflect activity under both the pre-
4 and post-settlement FERC-approved tariffs.

5 **Q. What is Eversource proposing as its annual TCAM rate in this filing?**

6 A. As shown in Attachment MBP-1, Page 1, Eversource is proposing a forecasted
7 average TCAM rate of 2.179 cents/kWh, as compared to the current average rate
8 of 2.785 cents/kWh. The decrease in the average TCAM rate is driven primarily
9 by higher projected revenue credits associated with the HQ support contract and a
10 projected retail transmission over-recovery of approximately \$25.1 million as of
11 July 31, 2022. While the average TCAM rate reflects RNS and LNS cost
12 estimates based on the latest known RNS and LNS rates applied to PSNH's
13 monthly forecasted peak load, these rate changes are not significant drivers of a
14 change in the proposed average TCAM rate effective August 1, 2022, as illustrated
15 in Exhibit MBP-1, page 2, lines 1 and 3.

16

17

18

1 Q. Do the RNS and LNS expense forecasts contained in this filing reflect the most
2 current FERC jurisdictional transmission rates that are effective during the
3 forecast period?

4 A. Yes. Please see the table below for the FERC jurisdictional transmission rates that
5 will be in effect on August 1, 2022 and January 1, 2023, as well as the prior year's
6 FERC jurisdictional transmission rates approved in DE 21-109:

| FERC Approved Rates | Description | DE 22-034 | | DE 21-109 | | Change | |
|--|--------------------|---------------------|---------------------|------------------|---------------------|------------|------------|
| | | Aug 22 to Dec 22 ** | Jan 23 to Jul 23 ** | Aug 21 to Dec 21 | Jan 22 to Jul 22 ** | Aug to Dec | Jan to Jul |
| RNS Rate | \$ per kW per year | \$ 142.78 | \$ 140.94 | \$ 140.98 | \$ 143.73 | \$ 1.80 | \$ (2.78) |
| | \$ per MWh | \$ 31.02 | \$ 30.62 | \$ 30.39 | \$ 30.98 | \$ 0.63 | \$ (0.36) |
| LNS Monthly Expense | Load Ratio Share | 80.4% | 80.4% | 21.6% | 79.0% | 58.8% | 1.4% |
| | Expense | \$ 2,134,000 | \$ 2,291,000 | \$ 2,114,000 | \$ 2,059,000 | \$ 20,000 | \$ 232,000 |
| | \$ per MWh | \$ 4.25 | \$ 4.50 | \$ 4.05 | \$ 4.23 | \$ 0.20 | \$ 0.27 |
| ** reflects change per the Rate Transparency Settlement approved in Docket No. ER20-2054-000 | | | | | | | |

7
8

9 Q: Please explain how the change in RNS rates impacts the Company's proposed
10 revenue requirement.

11 A. The Table above provides the RNS rates that are reflected in the TCAM rate
12 proposed for the period August 1, 2022 through July 31, 2023 and the rate previously
13 approved for the period August 1, 2021 through July 31, 2022. As reflected in
14 Exhibit MBP-1, page 2, line 1, the Company is projecting a relatively small decrease
15 in the estimated RNS expenses for the forecast period August 1, 2022 through July
16 31, 2023, as compared to the prior year's forecasted RNS expenses. The decrease
17 is primarily due to the projected decrease in the January 1, 2023 RNS rate. This
18 RNS rate decrease is due to higher actual 2021 RNS loads than 2020 and the true-
19 up to 2021 actual RNS revenue requirements, which is in an over-recovery position

1 largely due to beginning to amortize the excess accumulated deferred income taxes
2 associated with the reduced federal income tax rate under the Tax Cuts and Jobs
3 Act⁴. This over-recovery is being refunded to RNS customers in the January 1, 2023
4 RNS rate. These rate decreases are partially offset by incremental forecasted RNS
5 revenue requirements associated with forecasted investments. The TCAM thus
6 reflects lower RNS costs attributable to the Company in accordance with applicable
7 FERC-approved tariffs.

8 **Q. In Order No. 26,031 (June 28, 2017) in Docket No. DE 17-081, the**
9 **Commission noted that there have been changes in the RNS rates as a result**
10 **of changes in peak demand throughout New England. In that order, the**
11 **Commission noted that as other states in the region reduce their share of peak**
12 **load relative to the total, New Hampshire's share of the peak, and allocation**
13 **of costs, increases. The Commission stated that it expected the Company to**
14 **explain its efforts to reduce peak demand in New Hampshire in future TCAM**
15 **filings. What efforts has Eversource made to address peak demand in New**
16 **Hampshire?**

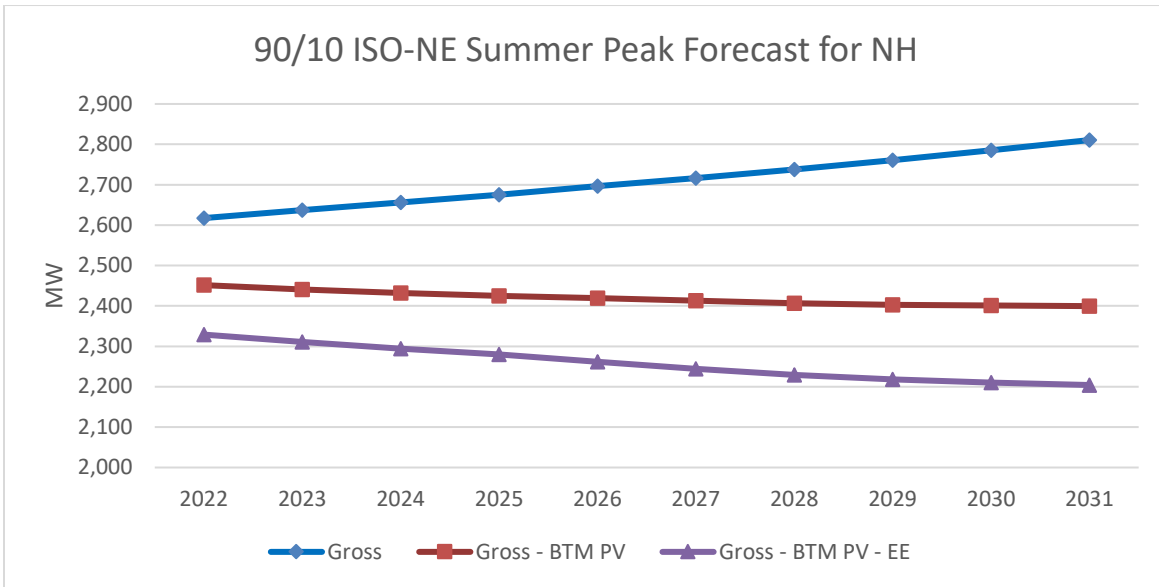
17 A. As the Company described during the hearing in Docket No. DE 17-081, energy
18 efficiency programs reduce consumption of energy (kWh), and costs, for

⁴ The FERC Orders approving the NETO's regional and Eversource's local Order 864 compliance filings, including the effective date of January 20, 2020, was received in 2021 in Dockets ER20-2572, ER21-1130 and ER21-1295.

1 customers across New Hampshire. The efficiency measures that reduce kWh often
2 also reduce electric demand (kW) at the ISO-NE, distribution and customer levels
3 during peak periods. Per the end of year energy efficiency filing in Docket DE 20-
4 092, the efficiency measures installed in 2021 were estimated to achieve 15.0 MW
5 in summer peak demand reduction and 14.2 MW in winter peak demand reduction.
6 The revised energy efficiency plan for 2022-2023, also filed in Docket No. DE 20-
7 092 and approved by the Commission in Order No. 26,621 (April 29, 2022),
8 established goals for 2022 and 2023. The revised plan included estimates of kW
9 savings. The efficiency measures proposed for 2022-2023 are estimated to achieve
10 16.8 MW in summer peak demand reduction and 15.7 MW in winter peak demand
11 reduction. As with the kWh savings, the demand savings will persist over the
12 lifetime of the measures installed.

13 ISO-NE has recognized the impact of these energy efficiency measures on its peak
14 demand forecast for New Hampshire, as shown in the below chart⁵:

⁵ Graphical representation of the 90/10 data contained in the Final 2022 CELT Report published April 29, 2022, using data from the 6.2 Forecasts for Transmission tab.
<https://www.iso-ne.com/system-planning/system-plans-studies/celt>



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As is the case in New Hampshire, the majority of demand savings from energy efficiency programs in the region are achieved as a secondary benefit of the measures designed to generate kWh savings. However, New Hampshire efficiency programs have been monitoring demand management demonstrations and programs taking place in other states to advance tailored methodologies for adoption in New Hampshire. During the 2018-2020 triennium, the Company launched Active Demand Reduction (ADR) pilot programs for (i) Commercial and Industrial load curtailment, (ii) Residential Battery Storage and (iii) Wi-Fi thermostat direct load control. These pilot programs were continued into the current 2021-2023 term, where results indicate that the 2021 ADR initiative achieved 8.4 MW in summer peak demand reduction. For the final two years of the 2021-2023 term, the Company will build upon the demonstrations offered in 2019 through 2021 and will continue to offer them as pilot programs. The active

1 demand measures planned for 2022-2023 are estimated to achieve 17.3 MW in
2 summer peak demand reduction.

3

4 **Q. Has Eversource taken any other direct efforts to reduce peak demand in New**
5 **Hampshire?**

6 A. Yes, Eversource has developed a Commercial and Industrial Demand Reduction
7 Initiative as part of its energy efficiency offerings. This initiative was approved as
8 part of the 2019 Update plan in Docket No. DE 17-136. Under an ADR approach,
9 customers agree to respond to an event call targeting conditions that typically
10 result in peak reductions through curtailment service providers (“CSPs”)—vendors
11 who identify curtailable load, enroll customers, manage curtailment events, and
12 calculate payments. The customer is incentivized to respond to event calls using
13 performance-based incentives. This approach is technology agnostic and can
14 utilize single end-use control strategies or a multitude of approaches that can
15 reduce demand when an event is called. This typically entails customers using
16 lighting with both manual and automated controls, HVAC with both manual and
17 automated controls, process loads, scheduling changes, excess Combined Heat &
18 Power (CHP) capacity, and energy storage to reduce demand. The residential
19 ADR initiative consists of two main bring-your-own-device offerings: Battery
20 Storage and Wi-Fi thermostats. In the lead up to the next triennial plan, the New

1 Hampshire utilities will explore a range of offerings and program options,
2 including electric vehicle load management.

3

4 **Q. Did Eversource conduct a lead/lag study for the TCAM as required in Order**
5 **No. 25,912, dated June 28, 2016, in Docket No. DE 16-566?**

6 A. Yes, Eversource conducted a lead/lag study for the TCAM and provides that
7 analysis as Attachment MBP-2. The results of the lead/lag analysis will be applied
8 effective August 1, 2022. This lead/lag study methodology is substantially the
9 same as that provided in Docket Nos. DE 20-085 and DE 21-109.

10

11 **Q. How is cash working capital estimated through a lead-lag study?**

12 A. A lead/lag study identifies the amount of time it typically takes for the Company to
13 collect revenue from customers, as well as the amount of time the Company takes
14 to make payment for applicable operating costs. The difference between those two
15 numbers is used as the basis to estimate cash working capital requirements.

16

17 **Q. Please describe the lead/lag study completed for the TCAM provided as**
18 **Attachment MBP-2.**

19 A. The Lead/Lag Study consists of 13 pages of calculations and supporting schedules
20 to calculate working capital allowances by month for RNS, S&D, LNS, Reliability,
21 HQ Interconnection Capacity Credits (HQ ICC), and HQ support components.

1 Revenue lag days are the same for all components, however expense lead days vary
2 by component. Each component has a separate expense lead days schedule.

3

4 **Q. Please define the terms “revenue lag days” and “expense lead days.”**

5 A. Revenue lag is the time, measured in days, between delivery of a service to
6 Eversource customers and the receipt by Eversource of the payment for such service.
7 Similarly, expense lead is the time, again measured in days, between the
8 performance of a service on behalf of Eversource by a vendor or employee and
9 payment for such service by Eversource. Since base rates are based on revenue and
10 expenses booked on an accrual basis, the revenue lag results in a need for capital
11 while the expense lead offsets this need to the extent the Company is typically not
12 required to reimburse its vendors until after a service is provided.

13

14 **Q. How is the retail revenue lag computed?**

15 A. The retail revenue lag consists of a “meter reading or service lag,” “collection lag”
16 and a “billing lag.” The sum of the days associated with these three lag components
17 is the total retail revenue lag experienced by Eversource. See Attachment MBP-2,
18 Page 5.

19

1 **Q. What lag does the Lead/Lag Study reveal for the component "meter reading or**
2 **service lag?"**

3 A. The Lead/Lag Study reveals a lag of 15.21 days. This lag was obtained by dividing
4 the number of billing days in the test year by 12 months and then in half to arrive at
5 the midpoint of the monthly service periods.

6
7 **Q. How was the "collection lag" calculated and what was the result?**

8 A. The "collection lag" for TCAM totaled 31.08 days. This lag reflects the time delay
9 between the mailing of customer bills and the receipt of the billed revenues from
10 customers. The 31.08-day lag was arrived at by a thorough examination of TCAM
11 accounts receivable balances using the accounts receivable turnover method. End-
12 of-month balances were utilized as the measure of customer accounts receivable.
13 Attachment MBP-2, Page 6 details monthly balances for the majority of the accounts
14 receivable. Attachment MBP-2, Page 5 calculated the average daily revenue amount
15 by dividing total revenue by 365 days. The resulting Collection Lag is derived by
16 dividing the average daily accounts receivable balance by the average daily revenue
17 amount to arrive at the Collection lag of 31.08 days.

18
19 **Q. How did you arrive at the 1.48 day "billing lag"?**

20 A. Nearly all customers are billed the evening after the meters are read. However, if a
21 meter is read on a Friday or prior to a scheduled holiday, there is additional lag over

1 the weekend or holiday. Consistent with prior year filings, the Company's billing
2 lag calculation accounts for this additional lag. The updated lead/lag study uses a
3 1.48-day billing lag as shown in Attachment MBP-2, Page 7. An exception for large
4 customers, which may require additional time to process, has not been made in this
5 calculation.

6
7 **Q. Is the total retail revenue lag computed from these separate lag calculations?**

8 A. Yes. The total retail revenue lag of 47.77 days is computed by adding the number
9 of days associated with each of the three retail revenue lag components. See,
10 Attachment MBP-2, Page 5. This total number of lag days represents the amount of
11 time between the recorded delivery of service to retail customers and the receipt of
12 the related revenues from retail customers.

13

14 **Q. Please explain how the RNS, S&D, LNS, Reliability, HQ expenses, and HQ**
15 **ICC lead/lag period is determined.**

16 A. The monthly payments were reviewed and the expense lead days were calculated
17 based on the actual payment date of the payments. Once the lead days for each
18 category were determined, they were summarized and dollar weighted according to
19 2021 actual annual amounts to arrive at the lead days. These calculations are shown
20 in Attachment MBP-2, pages 8 through 13.

21

1 **Q. Please explain how the Eversource Energy Service Company (EESC) due date**
2 **is determined related to LNS billings.**

3 A. Per the terms of the service contract between the Company and EESC, bills are
4 rendered for each calendar month on or before the twentieth day of the succeeding
5 month and are payable upon presentation and not later than the last day of that
6 month.

7

8 **Q. Has the Company included an expense lead for the 2020 LNS true-up amount**
9 **that was accounted for in May 2021? If so, please explain how the expense**
10 **lead is determined relative to 2020 LNS true-up amount compared to the**
11 **current month LNS billing in May 2021.**

12 A. Yes. As shown in Attachment MBP-2, Page 10, the expense lead for the prior year
13 2020 LNS true up under recovery is determined by calculating the number of days
14 from the mid-point of the true-up calendar year (in this case 2020) to the payment
15 date. This results in a longer expense lead compared to the current month LNS
16 billing.

17

18 **Q. Has the Company included an expense lead for the one-time 2021 LNS**
19 **refund/true-up adjustment over recovery amount of approximately (\$7.9)**
20 **million that was accounted for in November 2021?**

21 A. Yes. As described above and shown in Attachment MBP-2, Page 10, the expense

1 lead for the one-time 2021 LNS refund/true up adjustment over recovery amount is
2 determined by calculating the number of days from the mid-point of the refund/true-
3 up adjustment period (in this case January to September 2021) to the payment date.

4

5 **Q. Please explain how the change in RNS rates impacts the Company’s proposed**
6 **revenue requirement.**

7 A. As noted earlier in this testimony, a projected decrease in the RNS rate effective
8 January 1, 2023 is resulting in lower projected RNS costs and the TCAM thus
9 reflects the lower RNS costs attributable to the Company in accordance with
10 applicable FERC-approved tariffs.

11

12 **Q. Would you summarize the Company’s proposal regarding Cash Working**
13 **Capital?**

14 A. Yes, the results of Eversource’s TCAM Cash Working Capital lead/lag analysis
15 is summarized in the table below:

| | Revenue | Cost | Net | Net |
|-------------|----------|-----------|----------|---------|
| Components | Lag days | Lead Days | Lag Days | Lag % |
| RNS | 47.8 | 62.9 | (15.2) | -4.15% |
| S&D | 47.8 | 62.9 | (15.2) | -4.15% |
| LNS | 47.8 | 104.8 | (57.0) | -15.63% |
| Reliability | 47.8 | 63.0 | (15.2) | -4.17% |
| HQ Expense | 47.8 | 57.2 | (9.4) | -2.58% |
| HQ ICC | 47.8 | 62.7 | (14.9) | -4.09% |

16

1 Application of these values results in a total forecast cash working capital
2 allowance of (\$12.587) million and a forecast return on working capital of
3 (\$1.101) million for the period August 2022 through July 2023 as shown in
4 Attachment MBP-2, page 1, lines 19 and 21.

5

6 **Q. Does Eversource require Commission approval of this rate by a specific date?**

7 A. Yes, Eversource is requesting final approval of the proposed TCAM rate change
8 by July 22, 2022 to allow for the implementation of an August 1, 2022 change in
9 rates.

10

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

12 A. Yes, it does.