STATE OF NEW HAMPSHIRE

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DIRECT TESTIMONY OF YI-AN CHEN AND SCOTT R. ANDERSON

PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY RECONCILIATION OF DEFAULT ENERGY SERVICE FOR THE PERIOD AUGUST 1, 2023 TO JULY 31, 2024

June 13, 2024

Docket No. DE 24-046

I. INTRODUCTION

Q. Please state your name, business address and position.

A. My name is Yi-An Chen. My business address is 780 North Commercial Street, Manchester, New Hampshire. I am employed by Eversource Energy Service Company as the Director of Revenue Requirements for New Hampshire and in that position, I support Public Service Company of New Hampshire d/b/a Eversource Energy ("PSNH", "Eversource," or the "Company") regarding revenue and rate-related matters.

Q. Please provide your educational and professional background.

A. I received a Bachelor of Business Administration in International Business degree from Soochow University in Taipei, Taiwan and Master's Degree in Business Administration from Clark University. I joined Eversource last year, having more than 15 years of prior experience with National Grid USA in various roles of increasing responsibility including Regulatory and Compliance, Finance and Performance Management, Program and Project Management, and Reporting and Analysis.

Q. What are your principal responsibilities in your current position?

A. I am currently responsible for the coordination and implementation of revenue requirement calculations and regulatory filings for the Company, as well as the filings associated with PSNH's default Energy Service ("ES"), Stranded Cost Recovery Charge ("SCRC"), Transmission Cost Adjustment Mechanism ("TCAM"), System Benefits Charge ("SBC"), Regulatory Reconciliation Adjustment ("RRA") mechanism, Pole Purchase Adjustment Mechanism ("PPAM"), and Base Distribution Rates.

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

A. Yes, I provided testimony before the Commission in support of the Company's default ES rate filing in Docket No. DE 23-043; SBC Lost Base Revenue rate filing in Docket No. DE 23-080; SCRC rate filing in Docket No. DE 23-091; and RRA rate filing in Docket No. DE 24-035.

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

A. My name is Scott R. Anderson. I am employed by Eversource Energy Service Company as the Manager of Rates in New Hampshire. In this position, I provide support to PSNH. My business address is 780 North Commercial Street, Manchester, New Hampshire.

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 the Company.

Q. Please describe your educational and professional background.

A. I received a Bachelor of Arts degree in Mathematics from Hartwick College in 1986. In September 1986, I began my utility career in Rates and Regulatory Affairs for Central Vermont Public Service Corporation ("CVPS") and rose to the position of Manager of Rates. In 2012, CVPS merged with Green Mountain Power Corporation ("GMP") and I continued as Manager of Rates. In December 2022, I retired from GMP and assumed my current position with Eversource.

Q. Mr. Anderson, have you previously testified before the Commission?

A. I recently submitted testimony and attachments in the Company's RRA filing in Docket No. DE 24-035, and previously testified in the Company's ES rate filing in Docket No. DE23-043. I have also testified before the Commission in other rate adjustment mechanism cases in 2023.

II. OVERVIEW

Q. What is the purpose of your testimony?

A. The purpose of our testimony is: (1) to seek the necessary approvals to set a fixed ES rate for the Small Customer class and a monthly ES rate for the Large Customer class, applicable for the six-month period beginning August 1, 2024 and ending January 31, 2025 for Eversource customers who take service under the ES rate; and (2) to explain the ES rate reconciliation (over)/under recovery for the twelve-month period of August 1, 2023 to July 31, 2024 for wholesale power supply expense and applicable revenues for the (i) Small

Customer class, (ii) Large Customer class, and (iii) Renewable Portfolio Standard ("RPS") compliance obligations. Inclusion of the Reconciliation Adjustment Factors in the calculation of the ES rates is consistent with the direction in Section II.H of the Settlement Agreement approved in Docket No. DE 17-113.

Q. Please explain the ES rates for which the Company is seeking approval.

A. In this proceeding, consistent with the Settlement Agreement approved in Docket No. DE 17-113, Eversource is requesting that the Commission review and approve a fixed six-month ES rate for the Small Customer class for the period of August 1, 2024 through January 31, 2025, based on the weighted average of (i) the six monthly-contracted prices contained in the supply agreement(s) with the winning ES supplier(s) for 87.5 percent of forecast Small Customer load requirements, and (ii) in accordance with Order No. 26,994 (April 12, 2024), the proxy price(s) for 12.5 percent of forecast Small Customer load requirements subject to self-supply through direct participation in the ISO New England wholesale power markets. For the Small Customer class, the fixed ES rate for the period of August 1, 2024 through January 31, 2025, calculated consistently with prior practice and precedent, is $0.10458 per kWh, as calculated on page 1 of Attachment YC/SRA-1.

The Company is also requesting that the Commission review and approve a monthly-variable ES rate for the Large Customer class for the period of August 1, 2024 through January 31, 2025, based on the six monthly-contracted prices contained in the supply agreement(s) with the winning ES supplier(s) for the Large Customer class. For the Large

Customer class, the monthly ES rates for the period of August 1, 2024 through January 31, 2025, calculated consistently with prior practice and precedent, as calculated on page 2 of Attachment YC/SRA-1, are as follows:

Large Customer Energy Service Rates ($ per kWh)					
DE 23-043 Filing Approved Rates Order No. 26,851 (June 22, 2023)		**DE 23-043 Filing Approved Rates Order No. 26,920 (December 21, 2023)**		**DE 24-046 Filing Proposed Rates**	
August 2023	$0.11837	February 2024	$0.18173	August 2024	$0.14557
September 2023	$0.09734	March 2024	$0.12061	September 2024	$0.13483
October 2023	$0.09486	April 2024	$0.09495	October 2024	$0.12917
November 2023	$0.13604	May 2024	$0.09004	November 2024	$0.15155
December 2023	$0.22688	June 2024	$0.09443	December 2024	$0.19538
January 2024	$0.29225	July 2024	$0.11602	January 2025	$0.24276

Q. Please describe the detailed support for the calculation of the Small Customer class and Large Customer class ES rates.

A. Attachment YC/SRA-1, Page 1, provides the calculation of the total monthly ES rate for the Small Customer class, including the cost of RPS compliance, prior period reconciliations for ES, RPS, cost of administrative and general (A&G) expense, and working capital requirement associated with the ES offering. The weighted average Small Customer fixed ES rate for the period of August 1, 2024 through January 31, 2025 is calculated on Line 13.

Attachment YC/SRA-1, Page 2, provides the calculation of the total monthly ES rates for the Large Customer class, including the cost of RPS compliance, prior period reconciliations for ES, RPS, cost of A&G expense, and working capital requirement associated with the ES offering. The monthly Large Customer ES rates for the six-month period are calculated on Line 11.

Attachment YC/SRA-1, page 3, provides the forecasted A&G expenses associated with the ES offering. The A&G adjustment factor is calculated on Line 8.

Attachment YC/SRA-1, page 4, provides the forecasted working capital associated with the ES offering for both Small Customer and Large Customer classes. The monthly ES rates for the six-month period are calculated on Lines 7, 14, and 19, whereby the sum of Lines 7 and 19 are for the Small Customer class and Lines 14 and 19 are for the Large Customer class.

Q. Please identify the Reconciliation Adjustment Factor attachments you provide as part of your testimony.

A. The attachments included in our testimony that relate to the calculation of the proposed reconciliation adjustment factors are as follows:

- Attachment YC/SRA-2, Page 1, Small Customer Reconciliation and Rate calculation
- Attachment YC/SRA-2, Page 2, Large Customer Reconciliation and Rate calculation
- Attachment YC/SRA-2, Page 3, A&G Expenses
- Attachment YC/SRA-2, Page 4, RPS Reconciliation and Rate calculation

- Attachment YC/SRA-3, Pages 1 to 15, ES Lead/Lag Study

Q. Please describe the detailed support for the calculation of the Small Customer class, Large Customer class, and RPS Obligation Reconciliation and Reconciliation Adjustment Factors.

A. Attachment YC/SRA-2, Page 1 (Small Customer class), Page 2 (Large Customer class), and Page 4 (RPS Obligations), provide the preliminary Reconciliation (over)/under recovery for the twelve-month period August 1, 2023 to July 31, 2024, and the calculation of the Reconciliation Adjustment Factors based on the following data:

- Ten months actual (August 1, 2023 to May 31, 2024); Two months estimate (June 1, 2024 to July 31, 2024)
- Prior period (over)/under recovery
- ES revenues
- A&G expense (per Attachment YC/SRA-2, Page 3)
- Wholesale Supplier Purchased Power expense
- RPS Obligations Expense (estimate; per Attachment YC/SRA-2, Page 4)
- Return on Purchased Power and RPS Working Capital Requirement
- Carrying Charges based on Prime Rate

Q. Please describe the RPS Reconciliation Adjustment.

A. Attachment YC/SRA-2, Page 4 presents the reconciliation of RPS compliance obligations under RSA 362-F and the related revenue and expense by month for the twelve-month reconciliation period August 1, 2023 to July 31, 2024, as described below:

- RPS revenues reflect the RPS portion of ES revenues related to the:
  - RPS Adjustment Factor (Adder) - filed and approved in the semi-annual ES filings
  - RPS Reconciliation Adjustment Factor - filed and approved annually effective August 1st for the twelve-month period August 1st to July 31st
- RPS expense reflects the cost of compliance with the mandated RPS obligations to administer the ES program under RSA 362-F, and which is recovered under RSA 374-F:3,V(c):
  - RPS Current Month Actual/Estimate is the product of:
    - ES billed sales
    - RPS REC Requirement percentage by class[1]
    - RPS Adjustment Factor (Adder) filed and approved $ per MWh REC price by class[2]
  - RPS Prior Year True-Up reconciles the difference between
    - Form E-2500 RPS Compliance Obligation amount for prior calendar year (filing due by July 15th)
    - RPS Expense per book annual estimate.
    - RPS Return on Working Capital Requirement

Q. Please describe the beginning RPS Reconciliation over/under recovery balance as of July 31, 2023 shown in Attachment YC/SRA-2, Page 4, Line 13.

[1] https://www.energy.nh.gov/renewable-energy/renewable-portfolio-standard

[2] Semi-annual ES filing, Eversource Energy Supply witness Attachment LJL-4 (DE 23-043 (December 14, 2023)); Attachment LJL-5 in this filing.

A. The beginning RPS Reconciliation over-recovery amount of approximately $21.3 million was calculated and filed on December 14, 2023 in Docket No. DE 23-043, Attachment YC/SRA-3, Page 4, Line 13, reflecting the actual activity for the prior twelve-month RPS reconciliation period August 1, 2022 to July 31, 2023.

Q. What was the primary factor that resulted in the RPS Reconciliation over-recovery balance at July 31, 2023, as filed on December 14, 2023 in Docket No. DE 23-043, Attachment YC/SRA-3, Page 4?

A. The primary factor for the approximate $21.3 million RPS Obligation prior period over-recovery was attributable to regulatory action in the compliance years 2021 and 2022, specifically the Department of Energy's ("DOE") orders issued on March 31, 2022[3] and April 11, 2023[4], which reduced the 2021 and 2022 RPS Purchase Obligation percentage for Class III RECs from eight percent to one percent (2021) and one half of one percent (2022). This regulatory action resulted in an approximate $9.1 million (2021) and $10.1 million (2022) over-recovery requiring a downward adjustment for the 2021 and 2022 RPS compliance obligations.

Q. Has there been a DOE ordered change to the 2023 RPS Purchase Obligation requirement that affects the RPS Reconciliation for the period of August 1, 2023 to July 31, 2024? If so, how has that adjustment been included in the Company's RPS Reconciliation?

[3] https://www.energy.nh.gov/sites/g/files/ehbemt551/files/inline-documents/sonh/class-3-order-adjusting-2021-class-3-obligation.pdf.
[4] RPS 2023-01 (March 31, 2023).

A. Yes. The DOE issued an order[5] on March 5, 2024 that reduced the 2023 RPS Obligation percentage for Class III RECs from the statutory eight percent to one half of one percent. Like the 2022 RPS Obligation, the Company calculated and booked the monthly 2023 RPS Obligation estimates based on the statutory eight percent purchase requirement for Class III RECs. The Company anticipated a significant downward amendment to the purchase obligation based on the recent actions by the DOE, and therefore was able, upon issuance of the DOE's March 5, 2024 order reducing the Class III compliance obligation from eight percent to one half of one percent, to include an approximate $7.4 million downward adjustment, updating the Company's total 2023 RPS Obligation estimate in February 2024 as reflected in Attachment YC/SRA-2, Page 4, Line 3, to account for the DOE's mandated reduction in the Class III RPS compliance obligation percentage. This adjustment flows back the benefit to customers on an accelerated basis.

Q. What are the preliminary results for Energy Service and Renewable Portfolio Standard (RPS) for the reporting period August 1, 2023 through July 31, 2024?

A. Attachment YC/SRA-2, Pages 1 through 4, include actual costs for the period from August 1, 2023 through May 31, 2024 and estimated costs for the period from June 1, 2024 through July 31, 2024.

The Base Small Customer Energy Service Rate projected over-recovery of $3.4 million shown on Attachment YC/SRA-2, Page 1, Line 13, is due to the July 31, 2023 beginning

[5] Order Setting 2023 Class III Obligation (March 5, 2024); https://www.energy.nh.gov/sites/g/files/ehbemt551/files/inline-documents/sonh/order-setting-2023-class-iii-obligation.pdf.

balance of $14.6 million over-recovery, plus the current period carrying charge of a projected credit of $1.7 million, and the current period projected $12.9 million under-recovery related to ES revenues being lower than purchased power expenses due to wholesale load requirements. This results in an ES Reconciliation Adjustment Factor rate of $(0.00131) per kWh as shown in Attachment YC/SRA-2, Page 1, Line 15.

The Large Customer Base Rate projected under-recovery of $6.5 million as shown in Attachment YC/SRA-2, Page 2, Line 15 is due primarily to the beginning balance of $4.5 million under-recovery, plus the current period $3.9 million projected under-recovery resulting from ES revenues being lower than purchased power expenses due to wholesale load requirements, plus the current period projected carrying charge of $0.6 million. This results in an ES Reconciliation Adjustment Factor rate of $0.05943 per kWh, as shown in Attachment YC/SRA-2, Page 2, Line 17.

The RPS expense projected over-recovery of $14.9 million as shown in Attachment YC/SRA-2, Page 4, Line 13, is due primarily to the July 31, 2023 beginning balance of $21.3 million over-recovery and the current period projected under-recovery of $8.4 million due to RPS expenses being higher than revenues. In addition, the return on RPS working capital costs totaled a projected credit of $0.6 million, based on a lead/lag analysis, and the current period carrying charges totaled a projected credit of $1.4 million.

This results in an RPS Reconciliation Adjustment Factor rate of a $(0.00556) per kWh credit, as shown in Attachment YC/SRA-2, Page 4, Line 15.

Q. Please describe in more detail the Large Customer Base Rate under-recovery of $6.5 million noted above and the reasons for the apparent substantial increase from the under-recovery amount for last year's reconciliation.

A. The Large Customer Base Rate projected under-recovery amount for the current August 2023 to July 2024 reconciliation period, prior to the deferred purchase power expense adjustment as noted below, is a total of $9.0 million, as shown in Attachment YC/SRA-2, Page 2, Line 13. The projected under-recovery as noted above is due in part to the current reconciliation period $3.9 million under-recovery resulting from ES revenues being lower than purchased power expenses as a result of significant customer load migration and related wholesale load requirements, plus the current period projected carrying charge of $0.6 million. In addition, actual retail sales through May 2024 came in significantly lower than the forecasted retail sales used to set the Reconciliation Adjustment Factor rate that went into effect on August 1, 2023, resulting in recovery of lower retail revenues during the reconciliation period. As described in further detail below, the Company has removed $2.4 million of the Large Customer under-recovery from its request for recovery through the Reconciliation Adjustment Factor for the ES rate period beginning on August 1, 2024, as shown in Attachment YC/SRA-2, Page 2, Line 14. Including this adjustment results in an adjusted projected under-recovery amount of $6.5 million and a preliminary ES Reconciliation Adjustment Factor rate of $0.05943 per kWh, as shown in Attachment YC/SRA-2, Page 2, Line 17.

Q. How does the Company propose to treat the amount of $2.4 million which is accounted for as a deferral from the $9.0 million total Large Customer Base Rate under-recovery amount?

A. In reviewing the projected under recovery balance, the Company determined that the amount of $2.4 million of the total Large Customer group under-recovery is attributable to differences between retail customer billing and wholesale load reporting for a period of time beginning in May 2023. The Company plans to reconcile these differences through the resettlement and rebilling of loads in the ISO New England market settlement system and/or with affected wholesale and competitive suppliers. Because of the timing regarding completion of those efforts, the Company has decided to defer recovery of that $2.4 million amount while it pursues collection through load resettlement and rebilling. The net effect of that limited under-recovery deferral is shown in Attachment YC/SRA-2, Page 2, Line 14.

Q. Is the Company concerned about the significant increase in the Large Customer Base Rate under-recovery amount and the potential rate impacts of that increase?

A. Yes, the Company is deeply concerned regarding recent increases in the Large Customer class under-recovery amount and the potential rate impacts of such increases on its Rate LG and Rate GV customers taking default service on the ES rate. As discussed above, continuing migration of Large Customer load to community power aggregations and competitive suppliers appears to be a significant factor driving those increases. The Company fully supports customer choice to obtain energy supply from alternative sources, through municipal aggregations or competitive suppliers, and recognizes the great success that aggregation programs have achieved in the state; however, the

resulting migration can result in ES rate impacts, as costs are spread over a declining customer base, resulting in the potential for large bill impacts. As the under-recovery amount increases while the number of Large Customers and their aggregate kWh sales decrease, the resulting rate impacts may lead to a smaller number of remaining Large Customers being faced with shouldering a larger share of the burden of paying for substantial and increasing under-recovery amounts resulting from ongoing customer load migration.

Q. Has the Company evaluated any alternative approaches to ES Reconciliation Adjustment Factor rate design that would address those issues?

A. Yes, the Company recommends the Commission implement only one ES Reconciliation Adjustment Factor applicable to all default service customers, regardless of their rate class. In that alternative, the under- or over-recoveries for both the Large and Small Customer classes would be combined and the net amount would serve as the basis for calculation of a single ES Reconciliation Adjustment Factor applied to all ES customer rates on a uniform per kWh basis. An example of this alternative rate design is shown in Attachment YC/SRA-2, Page 5. This solution would serve to address the declining retail sales problem for the Large Customer group, while resulting in just and reasonable rates for all ES customers, and would serve as a helpful interim step to achieve broader cost recovery allocation.

Q. Has the Company identified any other alternative approaches to the reduced retail sales problem for the Large Customer group?

A. Another potential alternative would be to recover the full amount of the ES Reconciliation Adjustment Factor, including all related over- and under-recoveries, from all distribution customers through the SCRC or a similar reconciling rate mechanism. That change would avoid entirely the problem of declining retail sales leading to higher reconciliation adjustments, while spreading cost recovery to the broadest possible customer base, some of whom may have been provided with the default service prior to their migration. This alternative approach is equitable because all distribution customers benefit from the universal availability of default service as an alternate choice or a last resort backstop option. It is also consistent with the rate treatment currently in effect in Massachusetts. The Company encourages the Commission to consider that alternative as a potential longer-term solution to the problem identified and discussed above.

Q. What is the impact of implementing a single ES Reconciliation Adjustment Factor on Large and Small Customers?

A. Under the status quo with separate ES Reconciliation Adjustment Factors, the Large Customers would see an increase to the default Energy Service portion of the bill of approximately 39% and an impact on overall bills of approximately 24-25% on average. Under the recommended single ES Reconciliation Adjustment Factor alternative, Large Customers would see a decrease to the Default Energy Service portion of the bill of approximately 8% and a decrease on overall bills of approximately 5% on average. Under the status quo, the Residential Customers would see an increase to the Default Energy Service portion of the bill of approximately 26% and an impact on overall bills of

approximately 10% on average. Under the recommended single ES Reconciliation Adjustment Factor, the Residential Customers would see an increase to the Default Energy Service portion of the bill of approximately 29% and an impact on overall bills of approximately 11% on average.

Attachment YC/SRA-4 Page 3 and Page 6 contain additional rate class impacts for the two options.

III. LEAD/LAG STUDY

Q. Did the Company include a working capital component for Energy Supply and Renewable Energy Credits (RECs) in the calculation of the ES rates filed on June 13, 2024?

A. Yes. In Order No. 26,237 issued on April 25, 2019 in Docket No. DE 18-073, the Commission authorized Eversource to use the results of a lead/lag study in the calculation of working capital requirements for ES rates. The Company has conducted an update to its previous lead/lag study based on calendar year 2023, as provided in Attachment YC/SRA-3, and incorporates the results of that study to calculate the return on cash working capital requirements included in this filing for rates effective August 1, 2024.

Q. What is cash working capital?

A. Cash working capital is the amount of money that is needed by Eversource to fund operations in the time period between when expenditures are incurred to provide service to customers and when payment is actually received from customers for that service.

Q. How is cash working capital estimated through a lead/lag study?

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

Q. Please define the terms "revenue lag days" and "expense lead days."

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

Q. Please describe the Lead/Lag Study (Attachment YC/SRA-3) and its findings.

A. The Lead/Lag Study based on calendar year 2023 costs and revenues consists of 15 pages of calculations and supporting schedules to separately calculate lag days for Purchased Power and RPS expense as shown in the table below:

		Customers		RPS
Description	**Attachment YC/SRA-3 Reference**	**Small**	**Large**	**Compliance**
Net Lag/(Lead) Days	Page 3, Col. (C)	(2.19)	33.78	(85.71)
Percentage of Annual Expense	Page 3, Col. (D)	-0.60%	9.26%	-23.48%
Percentage of Forecast Monthly Expense	Page 1, Lines 9 and 10	-7.1 to -7.8	109.0 to 120.7	N/A

Q. How is the retail revenue lag computed?

A. The retail revenue lag consists of a "meter reading or service lag," "collection lag" and a "billing lag." The sum of the days associated with these three lag components is the total retail revenue lag experienced by Eversource as shown in Attachment YC/SRA-3, Page 5.

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

A. The Lead/Lag Study reveals 15.2 days. This lag was obtained by dividing the number of billing days in the test year (365 days) by 12 months and then in half to arrive at the midpoint of the monthly service periods.

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

A. The combined "collection lag" for Energy Service totaled 31.81 days. This lag reflects the time delay between the mailing of customer bills and the cash receipt of the billed revenues from customers. The 31.81 days lag was arrived at by a thorough examination of Energy Service accounts receivable balances using the accounts receivable turnover method. End of month balances were utilized as the measure of customer accounts receivable. Attachment YC/SRA-3, Page 6 details monthly balances for retail accounts receivables, separated by Small and Large Customers. Attachment YC/SRA-3, Page 6 calculated the Collection Lag by taking the total revenues and dividing it by the daily average receivable balance, deriving a Receivable Turnover rate (Line 21), which is then used to calculate the Collection Lag (365 days/Receivables Turnover rate) to arrive at 30.12 days for Small Customers and 58.91 days for Large Customers.

Q. How did you calculate the "billing lag"?

A. Nearly all of the Company's customers are billed the evening after the meters are read. However, if a meter is read on a Friday or prior to a scheduled holiday, there is additional lag over the weekend or holiday. The Company's billing lag calculation accounts for any additional lag over weekends and holidays. The lead/lag study weights the average monthly billing days by the accounts receivable balances resulting in a weighted billing lag of:

- 1.51 days for Small Customers (Attachment YC/SRA-3, Page 7, Line 13)
- 1.52 days for Large Customers (Attachment YC/SRA-3, Page 8, Line 13).

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

A. Yes. The total retail revenue lag of 46.84 days for Small Customers and 75.64 days for Large Customers is computed by adding the number of days associated with each of the three retail revenue lag components as shown in Attachment YC/SRA-3, Page 5. This total number of lag days represents the amount of time between the recorded delivery of service to retail customers and the cash receipt from retail customers of the related billed revenues.

Q. What expense is Purchased Power Cash Working Capital intended to address?

A. Purchased Power Cash Working Capital provides cash working capital for expenses paid by Eversource to procure from wholesale energy suppliers wholesale energy output per the terms of the Commission approved wholesale supplier contracts on behalf of Small and Large ES customers.

Q. In determining the expense lead period, how were the weighted lead days in payment of Purchased Power costs determined?

A. As shown on Attachment YC/SRA-3, Pages 9 and 10, Purchased Power payments were reviewed and the lead days were calculated for Small Customer and Large Customer categories. Each payment was dollar weighted to arrive at Purchased Power expense lead days.

Q. How were the weighted lead days in payment of Renewable Portfolio Standard ("RPS") costs determined?

A. RPS compliance is achieved through a combination of market purchases, contracted purchases through Long-Term Purchase Power Agreements with Burgess BioPower and Lempster Wind and ACPs. The Company obtains and retires RECs from these sources, or provides ACP, to meet annual RPS requirements. However, RPS compliance filings are due between July 1 and July 15 following the end of the prior compliance year. As a result, REC procurement activity and payment continues for up to six months following the end of the annual period in which RPS compliance obligations are incurred. This timing of RPS compliance activity is reflected in the Company's lead/lag study.

For market purchases, payments to IPPs were reviewed and weighted. The lead days was determined by comparing the date of payment for RECs to the load-weighted midpoint of the compliance year to which they were applied for RPS compliance. The schedule of payments for market purchases of 2023 RECs and estimated ACP is included in Attachment YC/SRA-3, page 13. The payment dates for these purchases are compared to the load-weighted midpoint of the 2023 compliance year to which they were applied for RPS

compliance. The resulting dollar-weighted lead for market REC purchases and ACP was 240.7 days.

For contract purchases, payments for RECs procured through long-term contracts are made on a more timely, regular basis as shown in Attachment YC/SRA-3, Page 14. However, only a portion of RECs from these contracts is applied to RPS compliance. The remainder is resold. Additionally, the cost of RECs from these contracts reflected in the ES rate is based upon a market transfer price credited to the Company's SCRC. To properly determine the cash working capital impact of these contract purchases associated with ES, the lead for contract purchases was dollar-weighted by amounts that reflected the percentage of RECs retired for ES/RPS compliance and a cash-basis equal to the lesser of 1) the contract price or 2) the transfer price. The resulting lead for contract purchases was 104.76 days.

The average of market and contract purchases is shown in Attachment YC/SRA-3, Page 11 for a total RPS expense lead of 134.2 days.

Q. Would you summarize the Company's proposal regarding Cash Working Capital?

A. Yes, the results of the lead/lag analysis of ES Cash Working Capital are noted in the table below:

Description	Attachment YC/SRA-3 Reference	Customers Small	Customers Large	RPS Compliance
Net Lag/(Lead) Days	Page 3, Col. (C)	(2.19)	33.78	(85.71)
Percentage of Annual Expense	Page 3, Col. (D)	-0.60%	9.26%	-23.48%
Percentage of Forecast Monthly Expense	Page 1, Lines 9 and 10	-7.1 to -7.8	109.0 to 120.7	N/A
Cash Working Capital Balance (Aug 2024 to Jul 2025)	Page 1, Lines 12, 13 and 14	($1,547) avg	$1,063 avg	($3,669) avg
Cash Working Capital Return (Aug 2024 to Jul 2025)	Page 1, Lines 17, 18 and 19	($66)	$45	($312)
Cash Working Capital Return (Aug 2023 to Jul 2024)	Page 2, Lines 17, 18 and 19	($527)	$80	($626)

Q. Mr. Anderson has the Company calculated the customer bill impacts for the proposed August 1, 2024 ES rate change?

A. Yes. General rate impacts were discussed at the end of Section II of this testimony. More detailed rate impacts are provided in Attachment YC/SRA-4.

- Page 1 provides a comparison of residential rates proposed for effect August 1, 2024 to current rates effective February 1, 2024 for a 550 kWh monthly bill, a 600 kWh monthly bill, and a 650 kWh monthly bill. This comparison is shown for the status quo approach consistent with past practice and precedent. The alternative in which under- or over-recoveries for both the Large and Small Customer classes would be combined and the net amount used to calculate a single ES Reconciliation Adjustment Factor applied to all ES customers is provided on Page 4.
- Page 2 provides a comparison of residential rates proposed for effect August 1, 2024 to rates effective August 1, 2023 for a 550 kWh monthly bill, a 600 kWh monthly bill, and a 650 kWh monthly bill. This comparison is shown for the status quo approach consistent with past practice and precedent. The alternative in which under- or over-recoveries for both the Large and Small customer classes would be

combined and the net amount used to calculate a single ES Reconciliation Adjustment Factor applied to all ES customers is provided on Page 5.

- Page 3 provides the average impact of each change on bills for all rate classes by rate component and on a total bill basis, including ES. This comparison is shown for the status quo approach consistent with past practice and precedent. The alternative in which under- or over-recoveries for both the Large and Small Customer classes would be combined and the net amount used to calculate a single ES Reconciliation Adjustment Factor applied to all ES customers is provided on Page 6.
- Pages 4-6 provide identical impact analysis using the alternative single ES Reconciliation Adjustment Factor approach recommended by the Company.

IV. CONCLUSION

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

A. Yes, updated tariff pages have been provided as Attachment YC/SRA-5. Those tariff pages show both the status quo approach and the Company's recommended alternative of implementing a single ES Reconciliation Factor for all ES customers.

Q. Is Eversource requesting Commission approval of this rate by a specific date?

A. Yes, Eversource is respectfully seeking final approval of the proposed ES rates by June 20, 2024 to inform the winning bidders, allow for appropriate notice to customers and implement the new rates for service rendered on and after August 1, 2024.

Q: Would Commission approval of this rate result in just and reasonable rates under either of the two alternative approaches to the ES rate described above?

A. Yes, it would.

Q. Does this conclude your testimony?

A. Yes, it does.