STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 24-070

REQUEST FOR CHANGE IN RATES

DIRECT TESTIMONY OF

Ashley N. Botelho and Yi-An Chen

Temporary Rate Revenue-Requirement Analysis

On behalf of Public Service Company of New Hampshire

d/b/a Eversource Energy

June 11, 2024

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I. INTRODUCTION

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

A. My name is Ashley N. Botelho. My address is 247 Station Drive, Westwood, Massachusetts 02090. I am the Director of Revenue Requirements for Eversource Energy Service Company ("ESC").

Q. What are your principal responsibilities in this position?

A. In this position, I am responsible for the oversight, coordination and implementation of revenue requirement calculations in base distribution rate proceedings as well as other proceedings before our state regulatory agencies. I have previously supported base distribution rate proceedings for the Connecticut operating subsidiaries of Eversource Energy. I am also responsible for the oversight, coordination and implementation of revenue requirement calculations for the Massachusetts operating subsidiaries of Eversource Energy, including NSTAR Electric Company, NSTAR Gas Company, and

Eversource Gas Company of Massachusetts each d/b/a Eversource Energy. In addition, I have the overall responsibility for regulatory interfaces for all revenue requirement-related filings before the Massachusetts Department of Public Utilities (the "Department").

Q. Please provide your educational and professional background.

A. I graduated from Drexel University in Philadelphia, Pennsylvania in 2010 with a Bachelor of Science in Business Administration, with a concentration in finance. In 2013, I graduated from the Bryant University Graduate School of Business with a Master of Business Administration degree.

I began working as a contractor for NSTAR Electric in July 2010 in support of NSTAR Electric's Smart Grid programs. In October 2011, I was hired as a Smart Grid Associate Project Manager. In December 2012, I assumed the role of Analyst in Revenue Requirements. In July 2014, I was promoted to a Senior Revenue Requirements Analyst. In January 2018, I was promoted to Manager, Revenue Requirements. In July 2022, I was promoted to my current role of Director, Revenue Requirements, for Distribution.

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

A. No, I have not.

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

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 ("ESC") as the Director of Revenue Requirements for New Hampshire. In that position, I support the Public Service Company of New Hampshire d/b/a Eversource Energy ("PSNH" or the "Company") regarding revenue and rate-related matters.

Q. What are your current responsibilities?

A. I am currently responsible for the coordination and implementation of revenue requirements calculations for the Company to support the rate and regulatory filings associated with the Company's default Energy Service, Stranded Cost Recovery Charge ("SCRC"), Transmission Cost Adjustment Mechanism ("TCAM"), System Benefits Charge ("SBC"), Regulatory Reconciliation Adjustment mechanism ("RRA"), Pole Purchase Adjustment Mechanism ("PPAM"), and base distribution rates.

Q. Please provide your educational and professional background.

A. I received a Bachelor of Business Administration in International Business from Soochow University in Taipei, Taiwan and Master of Business Administration from Clark University. I joined ESC in 2023 with more than 15 years of experience at 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. Have you previously testified before the New Hampshire Public Utilities Commission (the "Commission")?

A. Yes. I have provided testimony in multiple dockets.

Q. What is the purpose of your testimony as it relates to the Company's request for temporary rates?

A. We developed this joint testimony on behalf of PSNH, to support the Company's request for the Commission to set new distribution rates effective August 1, 2024, as temporary rates pursuant to RSA 378:27. The Company's most recent rate case was submitted in 2019 in Docket No. DE 19-057, using a 2018 test year. In the last five years, the Company has made sizeable capital investments in distribution infrastructure to continue to provide customers with safe and reliable service. The Company is experiencing unprecedented operating dynamics influenced by regional energy policy, new technologies, customer expectations, and again infrastructure, amongst other challenges. These challenges have resulted in the need to ramp up capital infrastructure to keep up with changing technologies and customer expectations regarding reliability and resiliency.

The Company has also invested substantial resources in the expansion of vegetation management work to further improve the reliability and resiliency of the distribution system and incurred costs to efficiently and safely restore power to customers following several major storm events. As a result, the Company is experiencing a significant and unsustainable shortfall between operating revenues generated by current rates and operating costs, thus making it necessary to submit this application for temporary rate relief.

Specifically, our testimony is designed to: (1) explain why the Company is requesting authority to implement new rates effective August 1, 2024, as temporary rates; (2) describe the projected change to distribution rates that would occur on August 1, 2024; (3) provide the supporting distribution revenue requirements calculation for temporary distribution rates; and (4) explain the adjustments incorporated into the Company's distribution revenue requirement calculation.

Accompanying this application is a request for a permanent rate increase during the pendency of the temporary rate request to take effect August 1, 2025, subject to recoupment back to the effective date of temporary rates in this proceeding.

Q. Are you presenting any schedules in addition to your testimony?

A. Yes, we are presenting the following attachments and schedules in support of the Company's petition:

Attachment Designation	Schedule Designation	Purpose/Description
Attachment ES-REVREQ-1 (Temp)	Schedule REVREQ-1 (Temp)	Overall Financial Summary
	Schedule REVREQ-2 (Temp)	Computation of Gross Revenue Conversion Factor
	Schedule REVREQ-3 (Temp)	Revenue Requirement
	Schedule REVREQ-4 (Temp)	Operating Revenue Summary
	Schedule REVREQ-5 (Temp)	Summary of Proposed Utility Adjustments
	Schedule REVREQ-20 (Temp)	Vegetation Management
	Schedule REVREQ-30 (Temp)	Amortization of Deferred Assets
	Schedule REVREQ-36 (Temp)	Rate Base and Return on Rate Base
	Schedule REVREQ-37 (Temp)	Plant in Service by Major Property Grouping
	Schedule REVREQ-38 (Temp)	Depreciation Reserve
	Schedule REVREQ-39 (Temp)	Accumulated Deferred Income Taxes
	Schedule REVREQ-40 (Temp)	Cost of Capital
	Schedule REVREQ-41 (Temp)	Cash Working Capital

II. NEED FOR TEMPORARY RATE RELIEF

Q. Can you please summarize the reasons for the Company's request for temporary rate relief at this time?

A. PSNH is requesting authority to implement temporary rates effective August 1, 2024. As shown in Figure 1, below, PNSH's request for temporary rate relief is primarily driven by the following factors:

1. The revenue deficiency created by the difference between the capital investments made since the Company's last rate case and the current level of base-rate revenue allowed in distribution rates.
2. The increase in vegetation-management expenses following the Company's Pole Purchase Agreement ("PPA") with Consolidated Communications, Inc. ("CCI"), executed in December 2020 and amended in May 2023.
3. Technology upgrades as a result of ESC enterprise information technology ("IT") projects.
4. The need to recover significant deferred storm costs.
5. Other changes to operating expenses that have occurred over time.

Figure 1. Primary Drivers of the Request for Temporary Rate Relief

Driver of Revenue Deficiency	Contribution to Revenue Deficiency	Percent of Total
Growth in Rate Base Since DE 19-057 *(beyond RB recovered through steps)*	$26 million	34%
Vegetation Management Costs	$14 million	18%
Enterprise IT Upgrades	$12 million	16%
Storm Cost Amortization	$9 million	12%
Miscellaneous	$16 million	21%
Revenue Deficiency - Temporary Rates	**$77 million**	**100%**

The Company has incorporated certain normalizing adjustments in the cost of service for non-recurring items that are described more fully below. However, in the aggregate, these adjustments do not materially change the Company's overall requested revenue deficiency of $77 million.

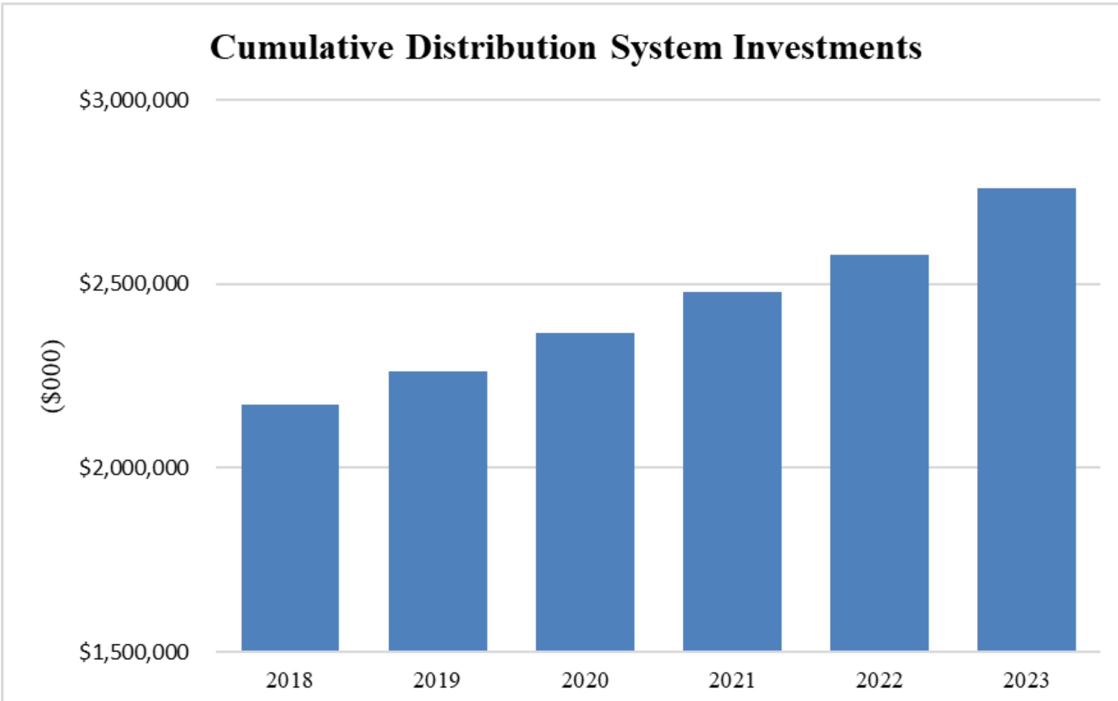
Q. Please discuss the capital investments that are driving the Company's request for temporary rate relief.

A. As noted above, the principal driver of the Company's request for temporary rate relief is to allow for the recovery of the cost of significant electric distribution system investments implemented since the Company's last rate case. In light of these investments, the current level of base-rate revenue is insufficient to support utility operations without impairing the integrity of the Company's financial operations, as demonstrated by the financial results of the Company in the test year (twelve months ended December 31, 2023). If the deficiency is not addressed, the Company will experience additional financial degradation during the course of the Commission's review of the upcoming permanent rate request.

In Docket No. DE 19-057 (the "2019 Rate Case"), the Commission granted PSNH a temporary rate increase and a permanent rate increase effective July 1, 2019 and July 1, 2020 respectively. The final approved rates included an allowed distribution return on equity ("ROE") of 9.3 percent and were based on a 2018 test year, as adjusted by decision of the Commission. Since that time, the Company's base distribution rates have remained relatively flat, except for: (1) Commission-authorized step increases to allow recovery for a portion of the Company's capital additions completed through 2021; and, (2) approved recovery of certain costs through the Regulatory Reconciling Adjustment mechanism ("RRA"). Thus, the Company's customers have experienced a relatively long period of steady distribution rates over the past five years. However, the Company is now in the position that it needs to address a growing revenue deficiency.

In this 5-year interval, PSNH has continued to invest in the distribution system to replace aging infrastructure and maintain and improve service reliability and the resiliency of the electric grid. As shown in Figure 2, below, the Company's plant additions in the intervening decade since the 2019 Rate Case have been significant, resulting in substantial growth in distribution plant in service.

Figure 2. Distribution Plant in Service



Q. Would you please describe the basis of the distribution rates resulting from the 2019 Rate Case in more detail?

A. The Settlement Agreement approved by the Commission in the 2019 Rate Case permitted a total revenue increase of $44.987 million effective for service rendered on and after January 1, 2021, to be reconciled back to July 1, 2019, the effective date of temporary rates, consistent with DE 19-057, Order No. 26,265 (June 27, 2019).

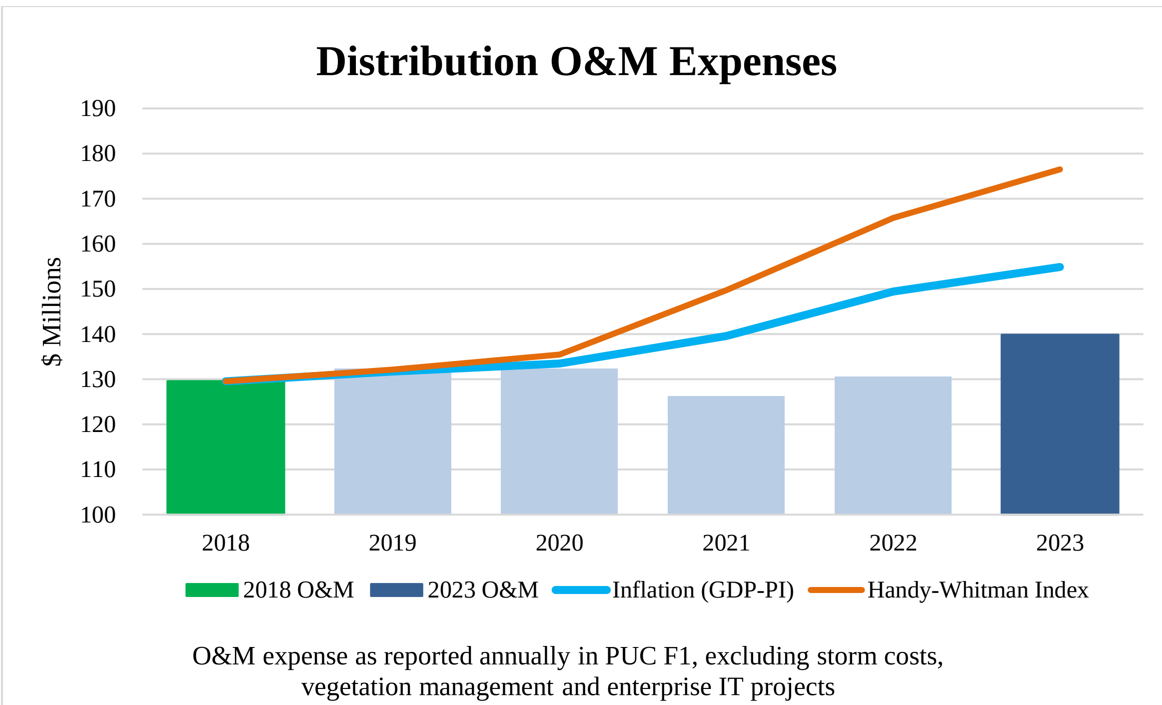
The Company was also allowed three step adjustments to reflect increases for calendar years 2019 through 2021 plant-in-service. The first step adjustment was capped at $11 million, the second step adjustment was capped at $18 million, and the third step adjustment was capped at $9.3 million. However, even with these step adjustments allowing for recovery of plant in service, the unrecovered amounts from August 2021 through December 2021 (20 percent of total non-step adjustment plant costs) and between January 2022 and December 31, 2023 (100 percent of total non-step adjustment plant costs), are considerable. The main driver of the revenue deficiency experienced in the Company's rate base is due to $275 million in rate base growth that was not covered by the Step Adjustments approved in the DE 19-057 Settlement Agreement. Only 42 percent of the approximately $475 million increase in rate base was covered by the three Step Adjustments in years 2020, 2021 and 2022. As the Company's rate base has increased over time, the level of rate recovery allowed in the 2019 Rate Case, as adjusted through the annual step increases, has become increasingly outmatched.

The Company's ongoing investment to upgrade distribution infrastructure to improve reliability and resiliency has resulted in a marked degradation of the Company's earned rate of return. As of December 31, 2023, the distribution ROE for PSNH, as reported to the Commission, was 6.40 percent, which is below industry standards for a fair and reasonable return, and well below the ROE of 9.3 percent authorized by the Commission in the 2019 Rate Case.

Q. Has the Company controlled operations and maintenance expense since its last rate case?

A. Yes. As discussed in more detail in in the joint testimony of Douglas W. Foley, Robert S. Coates Jr. and Douglas P. Horton ("Case Overview Testimony"), the Company has held distribution operations and maintenance ("O&M") expense relatively steady and stable since its last rate case when excluding storm costs, vegetation management and enterprise IT expense.[1] As shown in Figure 3, below, the Company's distribution O&M expense level in the test-year ending December 31, 2023 is $15 million less than in 2018, adjusted for inflation, and excluding storm costs, vegetation management and enterprise IT expense.

Figure 3. Distribution O&M Expense



Another useful index to put the Company's distribution O&M expense level into context is the Handy-Whitman Index ("HWI"). The HWI is compiled and published by Whitman,

1 Joint Direct Testimony of Mr. Foley and Mr. Horton at 18.

Requardt and Associates, and is available for purchase under a subscription service.[2] This index calculates the cost trends for construction among different types of utilities (i.e., electric, gas, and water utilities) for each of the six geographical regions in the US (North Atlantic, South Atlantic, North Central, South Central, Plateau, and Pacific regions). The HWI illustrates that recent construction costs in the electric industry, in the North Atlantic region, has sharply increased by 31.36 percent from 2018 through 2023.

Q. Has the Company maintained the reliability of the electric distribution system while controlling O&M expense?

Yes. For over a decade, the Company has made targeted investments to deliver tangible benefits in reduced frequency and duration of outages to the Company's customers. As illustrated in Figure 4, below, and discussed in more detail in the Case Overview Testimony, there has been a steady decline in the number of outages and the amount of time the typical customer is without power.[3]

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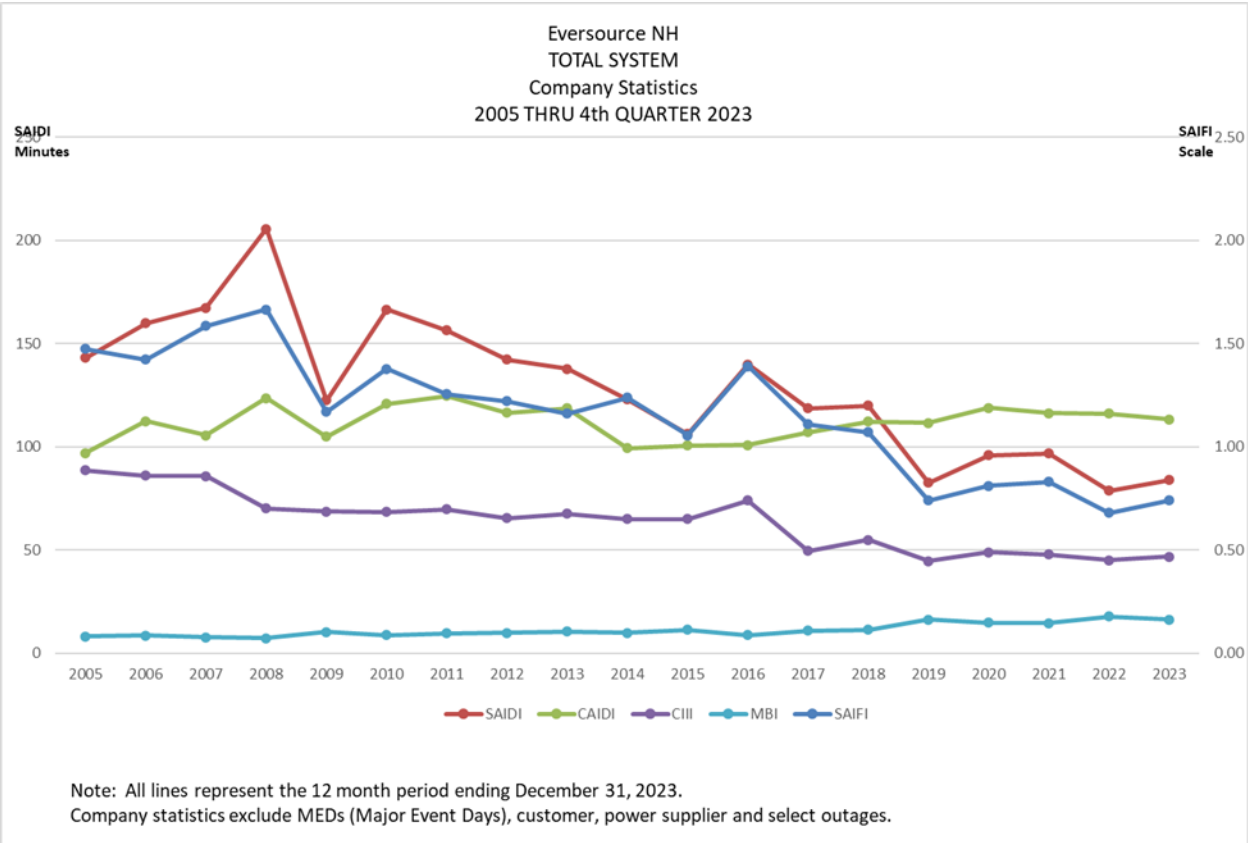
2 Whitman, Requardt, and Associates, The Handy-Whitman Index of Public Utility Construction Costs (July 2024).

3 The unusually large number of storms in 2016 led to an increase in System Average Interruption Duration Index ("SAIDI") in that year. However, the overall trend since the start of the REP program has shown sustained improvement.

Figure 4. Reliability Metrics



Q. Has the Company quantified the revenue deficiency that existed in the test year, as compared to the authorized ROE?

A. Yes. Calculated on the basis of the difference between actual financial results and the authorized ROE of 9.3 percent, the unadjusted test-year revenue deficiency is approximately $51 million.[4] This revenue deficiency is derived by comparing the 2023 earned rate of return of 4.75 percent[5] to the 2023 allowed rate of return of 6.95 percent,

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[4] Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-1, line 32.

[5] Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-1, line 22.

calculated at the Commission-approved ROE for PSNH of 9.3 percent in Docket No. DE-24-070.[6] This revenue deficiency is even greater once known and measurable cost increases beyond the test year are factored into the distribution system cost of service and associated revenue requirement, as described below and summarized in Figure 5. As a result, the Company's financial situation is not sustainable, compelling the Company to seek rate relief so that there are sufficient revenues to support utility operation and continued investment in the safe and reliable operation of the system.

Q. Please summarize the other factors driving the need for this rate case.

A. In addition to temporarily addressing the existing revenue deficiency for the core distribution operations, the Company's request for temporary rate relief is designed to address three discrete cost items that are also putting pressure on the Company's financial situation. These three cost items are: (1) increased vegetation management expense incurred to maintain and improve the reliability and resiliency of the distribution system due to the Pole Purchase Agreement ("PPA") with CCI, which is not included in currently effective distribution rates; (2) technology upgrades through the ESC enterprise IT projects; and (3) the recovery of costs incurred to restore power that are primarily associated with extraordinary weather events in 2022 and 2023. These three cost items are substantial in magnitude and are not currently recovered through customer rates, therefore having a substantial negative impact on the Company's financial situation.

6 Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-40.

Q. What is included in the Company's vegetation management budget requested for recovery through temporary rates?

A. The Company is requesting a budget increase to its vegetation management program due to increased costs for contractors and to account for the vegetation management of utility pole assets previously owned by CCI. On November 18, 2022, the Commission issued Order No. 26,729 in Docket No. DE 21-020 authorizing the Company to purchase certain pole assets from CCI (the "Order"). The Order also authorized the Company to recover certain costs related to the transaction through a mechanism created called the Pole Purchase Adjustment Mechanism ("PPAM"). Specifically, the Order authorized the Company to recover costs and expenses associated with operations and maintenance of the transferred poles, pole replacement and inspection costs, and vegetation management expenses. The costs and expenses related to vegetation management expense billed to CCI for the period February 10, 2021 through December 31, 2022 would not have been accounted for in the Company's final budgeted numbers for its VMP in these years. Therefore, the Company has actually spent an additional $17 million on vegetation management surrounding the CCI assets from February 10, 2021 in the years 2021 through April 2023. Prior to the Order, the Company had billed CCI approximately $8 million per year associated with vegetation management activities surrounding the pole facilities. This will be included in the VMP budget going forward as the Company will not be reimbursed for these activities.

Q. Please outline the vegetation management costs the Company is seeking to recover through temporary rates.

A. As shown in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-20, page 1, the Company is requesting the recovery of $41,428,543 in temporary rates to cover its vegetation management costs prior to permanent rates taking effect.

Q. Please briefly describe the enterprise IT projects expense.

A. As described in more detail in the Company's request for permanent rates, the Company has made substantial investments in the IT systems needed to further enhance its ability to provide safe, reliable, and quality service to customers. Since the last rate case, and as shown in Figure 1 above, the enterprise IT expense represents a significant portion of the Company's overall revenue deficiency in this case.

Q. Please outline the enterprise IT expense the Company is seeking to recover through temporary rates.

A. As shown in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 2, line 34, the Company is requesting the recovery of $22,405,291 in temporary rates to cover its enterprise IT projects expense prior to permanent rates taking effect.

Q. Please summarize the deferred storm costs driving the need for an adjustment.

A. Pursuant to Order No. 25,534 (June 27, 2013), the Company's Major Storm Cost Reserve ("MSCR") is currently funded at $12 million annually. The region experienced severe storm activity and the Company's pre-staging and restoration costs that has far exceeded the annual funding level of the MSCR. Resulting from the Docket No. DE 19-057

Settlement Agreement, the Company was recovering $68.5 million over five years associated with unrecovered storm costs as of December 31, 2018 beginning on August 1, 2019 for severe storm activity. The Company is projected to be fully recovered on these storms by August 1, 2024, the date temporary rates take effect in this proceeding.

Therefore, as part of its temporary rate proposal, the Company is requesting to maintain the level of storm funding in current rates, which includes (1) the amortization of $15,216,947; and (2) the annual storm reserve funding of $12 million to be applied against the approved storm costs from DE 22-031 and DE 23-051 proceedings. Thus, the Company reflected $24,239,102 in the Adjusted Test Year for unrecovered storm costs that will be reflected in temporary rates on August 1, 2024, which includes (1) $23,708,013 associated with the projected unrecovered balance as of July 31, 2024 plus (2) $531,089 in carrying charges as shown Attachment ES-REVREQ-1 (Temp), Workpaper ES-REVREQ-30, page 1 and page 2. The Company is projected to be fully recovered on approved storms from DE 22-031 and DE-051 with the proposal. This shortfall is significant, making it necessary and advisable for the Commission to commence recovery from customers given that additional storms may occur. Commencement of recovery will help to avoid an unreasonably burdensome layering of storm costs over time. Therefore, to address this shortfall, the Company is proposing to commence recovery of this deficit, including carrying charges at the previously approved stipulated rate of return, over a five-year period commencing August 1, 2024.

Q. Why is it important the Company recovers these three discrete cost items through temporary rates prior to its permanent distribution rates taking effect August 1, 2025?

A. The Company is currently experiencing a revenue shortfall of approximately $77 million. Allowing recovery of $77 million in temporary rates on August 1, 2024 prior to August 1, 2025 when permanent rates take effect will allow the Company some relief from the revenue shortfall while mitigating the rate increase for customers. Pursuant to RSA 378:29, the Company's temporary rates will be effective until the final determination of this proceeding. Upon final disposition of the issues in this proceeding, and to the extent the permanent rates are in excess of the temporary rates, the Company will amortize and recover by means of a temporary increase over and above the final rates determined, referred to as "recoupment." Such sum will represent the difference between the gross income obtained from temporary rates and the gross income that would have been obtained under the permanent rates if applied during the period that the temporary rates were in effect.

III. SUMMARY OF REVENUE REQUIREMENT ANALYSIS

Q. Please provide an overview of the attachments and schedules accompanying your testimony.

A. We have provided attachments as part of our testimony. Attachment ES-REVREQ-1 (Temp) includes the revenue requirement schedules for the temporary rate review. The Company has limited the revenue requirement schedules to those necessary to support the Commission's investigation of the Company's request for temporary rate relief.

As noted above, the Company is also seeking authorization for new permanent rates. That request is supported by all of the information required by the Commission's rules, including a comprehensive presentation of testimony and exhibits demonstrating the need for permanent rate relief, as well as the Commission's Standard Filing Requirements that must accompany such a request. The request for permanent rate change is described in separate testimony in this proceeding.

Q. What is the test year period that PSNH used for its revenue requirement analysis?

A. The test year period used for the revenue requirement analysis is the 12-month period ended December 31, 2023 ("Test Year").

Q. Would you please summarize the Company's distribution cost of service and resulting revenue requirement?

A. Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-3 presents the Company's Revenue Requirement Summary, computing a total cost of service of $514,954,715. The Company has calculated a distribution revenue deficiency of $76,691,151 based on adjusted Test Year revenues of $438,263,564. The computation of the revenue deficiency reflects total rate base of $1,692,173,678 and assumes a weighted cost of capital of 6.95 percent.

Specifically, this distribution revenue deficiency includes: (1) a base distribution revenue deficiency of $51 million[7]; (2) an increase of $9 million reflecting a normalizing

[7] Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-1, Column (B).

adjustment for unrecovered storm costs approved for recovery in Dockets DE 22-031 and DE 23-051; (3) an increase of $22 million reflecting a normalizing adjustment to exclude the impact of accounting entries related to the CCI pole acquisition that occurred in the test year; and (4) a decrease of $5 million related to other revenue requirement and normalizing adjustments. These factors are summarized in Figure 5 below. Further, this testimony describes the more significant adjustments to the Test Year historical data; however, all Test Year normalizing adjustments are shown on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, pages 1 through 5.

Figure 5. Total Net Request for Temporary Rate Deficiency versus Per-book Revenue Deficiency

Driver	**Amount**
Per-book Distribution Revenue Deficiency	$51 million
Request for Temporary Rate Deficiency:	
Storm Cost Amortization	+ $9 million
Other Amortizations	+ $22 million
Other Revenue Requirement Adjustments	- $5 million
Total Net Deficiency - Temporary Rates	**$77 million**

Q. Why is the Company proposing normalizing adjustments to the cost of service in this filing?

A. Although the Company relies substantially on unadjusted 2023 test year data in the development of the cost of service, it is important to make normalizing adjustments to the cost of service. One reason is that included in any representative test year are cost or revenue elements that are non-recurring, out-of-period, or otherwise not appropriate to be reflected in the revenue requirement. Similarly, to the extent that the test year excludes certain known-and-measurable cost or revenue elements that are understood to be incurred on a continuing basis, those elements are appropriate for inclusion in the revenue requirement in the Company's permanent rate request.

Q. Please describe the process for identifying normalizing adjustments.

A. In order to remove out-of-period or non-recurring items from the test year level of expense activity, the Company performed a detailed review of account activity to normalize out-of-period or non-recurring activity. As a supplement to this review, the Company's Accounting Department identified any accounting entries that were recorded on PSNH's books that were "out-of-period," meaning the entries were booked during the Test Year but are related to a different time period. In addition, the Company's Accounting Department identified entries that were recorded outside of the 12-month Test Year but that should have been recorded within the Test Year. This exercise has resulted in the Company's proposal for an adjusted Test Year that is reflected in the various schedules of Attachment REVREQ-1 (Temp). A detailed listing of all normalizing adjustments included in the revenue requirement calculation are summarized in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5.

Q. Did the Company make any adjustments to Test Year Operating Revenues?

A. Yes. Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-4 provides the operating revenue summary, including normalizing adjustments totaling $(36,000), which is further detailed on Attachment REVREQ-1 (Temp), Schedule REVREQ-5, page 1, line 22, Column (E). These adjustments are associated with prior period rental revenue of $(6,694) and rental revenues associated with an expired lease of $(29,306) as summarized in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, lines 39-42.

Q. Did the Company make any adjustments to Test Year O&M Expenses?

A. Yes. As shown on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 1, line 30, Column (E), the Company made adjustments to operations and maintenance ("O&M") expenses totaling $8,269,763 to reflect a number of increases and decreases to operating expenses. Additional detail describing these adjustments is provided in Attachment ES-REVREQ-1, Schedule ES-REVREQ-5, page 5, lines 44 through 94.

Q. Did the Company make any adjustments to Test Year Other Operating Expenses?

A. Yes. As shown on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 1, line 32 and line 34, Column (E), the Company made adjustments to amortization and depreciation expense totaling $(12,856,274) and $33,929,279, respectively to reflect certain increases and decreases to Other Operating Expenses. Additional detail describing these adjustments is provided in Attachment ES-REVREQ-1, Schedule ES-REVREQ-5, page 5, lines 18 through 29.

Q. Did the Company make any adjustments to Test Year Taxes Other than Income?

A. Yes. As shown on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 1, line 39, Column (E), the Company made normalization adjustments totaling $(617,100) to reflect increases and decreases to Taxes Other than Income. Additional detail describing these adjustments is provided in Attachment ES-REVREQ-1, Schedule ES-REVREQ-5, page 5, lines 31 through 37.

Q. Please describe how this request for temporary rates is designed to address the critical financial needs of PSNH, while minimizing rate impacts for customers.

A. PSNH has structured this request for temporary rates in a way that addresses the critical financial needs that the Company's has in relation to distribution operations, while also mitigating rate increases to customers. As noted above, the Company is confronting a few financial challenges while faced with revenue deficiency since its last base rate proceeding. It is imperative that PSNH address these needs so that its ability to continue investing in the system for the benefit of customers is maintained. However, PSNH is also sensitive to balancing the needs of the business to support operations and capital investment with the interests of customers in mitigating and/or minimizing rate impacts.

Q. Please describe the bill impacts that the Company's rate proposal would cause for customers.

A. As discussed in more detail in the testimony of Edward A. Davis ("Temporary Rates and Tariff Changes Testimony"), the proposed change in distribution rates would result in an average overall increase in total retail billed revenue of 5.04 percent. The estimated effect of the temporary rate proposal on each distribution rate class is shown below in Figure 5:

Figure 5. Estimated Effect by Class

Residential	6.57%
General Service Rate G	5.72%
Primary General Service Rate GV	2.61%
Large General Service Rate LG	2.03%
Outdoor Lighting	12.28%
Average	**5.04%**

The Company's proposal for addressing the Test Year revenue deficiency is limited to the recovery of per-book Test-Year expenses and a test-year end rate-base computation, plus the normalizing adjustments discussed in Section IV below.

IV. REVENUE REQUIREMENT ANALYSIS

Q. What adjustments have you made to the revenue requirement calculation?

A. PSNH's revenue requirement includes Test Year adjustments to Operating Revenues, O&M Expenses, Depreciation, Amortization, and Taxes. These proposed adjustments are summarized on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 1 and are described in detail below.

Q. How is Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, which illustrates the Test Year and post-Test Year adjustments to the cost of service, organized?

A. Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 1, provides a high-level summary of the adjusted Test Year operating income calculation. Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 2, summarizes the proposed normalizing adjustments to O&M expense and other operating expenses such as depreciation, amortization, and taxes other than income taxes. Column (D) of Schedule

ES-REVREQ-5, page 2 shows the Adjusted Test Year figures for O&M expense and other operating expenses with normalizing adjustments, and reconciles to Schedule ES-REVREQ-5, page 1. Supporting schedules and workpapers are referenced in the last column and are included in the Company's permanent rates request.

Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 3 provides a similar schedule of expenses as Schedule ES-REVREQ-5, page 2, further breaking out these expenses by FERC account. Schedule ES-REVREQ-5, page 3, Column (C) starts with the balances as reported on the Company's FERC Form 1 as of December 31, 2023. Column (D) presents adjustments to remove expenses related to costs recovered through various reconciliation mechanisms further itemized on Schedule ES-REVREQ-5, page 4. Column (E) presents vegetation management and property tax expenses associated with the CCI pole acquisition that occurred during the Test Year and has been reflected in base rates as part of this rate proposal. Column (F) sums columns (C) through (E), which equals the unadjusted Test Year expense. Column (G) reflects the reclassification of indirect costs for purposes of presenting the revenue requirement in this proceeding. This reclassification is intended for ease of presentation of certain cost categories, as described in more detail later in this testimony, and has no net effect on the revenue requirement presented in this proceeding. Column (H) presents the normalizing adjustments to the Test Year expenses. Column (I) presents the Adjusted Test Year expense by calculating the sum of Columns (F) through (H).

Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 4 provides details supporting the amounts listed on Schedule ES-REVREQ-5, page 3, Column (D), and reflect the removal of expenses recovered outside of base distribution rates as part of an established reconciling mechanism. These amounts are recovered through other mechanisms and have therefore been removed from the distribution revenue requirement in this proceeding.

Lastly, Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, provides a detailed listing of the normalizing adjustment proposed in this case.

Q. What is the purpose of the indirect cost reallocation included in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 1, Column (C) and Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 3, Column (G)?

A. The indirect cost reclassification is for presentation purposes to allow the Company to reflect the ESC costs charged to various O&M accounts through indirect rates in the expense account in which the indirect charges are related to, net of any amounts charged to capital. For instance, following the reclassification, ESC employee benefits costs attributed to PSNH will reside in Account 926, as opposed to the various O&M activities/accounts the ESC employee supported, and the amounts in Account 926 would be net of any ESC indirect costs charged to capital. The reclassification ultimately allows the expense portion of employee benefits, both PSNH and ESC amounts assigned to PSNH, to all be reported in one account, Account 926.

Q. How are indirect rates utilized to assign employee benefits, payroll taxes and other service company charges to PSNH?

A. Employees charge their labor costs in accordance with the Company's cost charging policies, which are designed to assign or allocate costs in accordance with cost-causation principles. Employee benefit costs and other service company charges "follow" labor to the operating company via "indirect" cost rates. Generally speaking, indirect rates are designed to assign the specific costs associated with an employee to the O&M or capital activity that the employee supports.

More specifically, when employees provide services to support an activity, their labor is charged to that operating company, along with associated costs included in the Payroll Benefits rate ("ZPB"), for PSNH employees and the General Service Company Overhead rate ("ZGS"), for service company employees. These costs include employee benefits, payroll taxes, corporate insurance, leases, and ESC capital costs, such as enterprise IT projects, which follow the associated labor to the O&M or capital activity.

Service company employees charge the appropriate activity for their labor costs and each respective cost included in the indirect rate is credited to Account 403, 408, 925, 926, 930 and 931. A similar process occurs for PSNH employees, except that the indirect costs follow labor only to capital or other balance sheet accounts.

For Operating Company employees, indirect costs generally do not follow the labor costs charged by employees to expense accounts because the costs are incurred and recorded directly to expense accounts rather than coming "indirectly" from ESC. Therefore, for

Operating Company employees, the expense portion of indirect costs (for example, benefits) reside in Account 926. In this way, the amounts residing in Account 926 for Operating Company employees are presented net of a credit for amounts charged to capital and other balance sheet accounts.

Q. Please describe the indirect cost reallocation included in Attachment ES-REVREQ-1, Schedule ES-REVREQ-5 (Temp), page 1, Column (C) and Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 3, Column (G).

A. The indirect cost reallocation in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 1, Column (C) and Schedule ES-REVREQ-5, page 3, Column (G) is a two-step process.

The first step is to reverse in total the Test Year activity recorded using cost elements utilized to track the application of the ZPB and ZGS rates. As shown on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 1, line 50, Column (C), and Schedule ES-REVREQ-5, page 3, Column (G), line 95, there is no net impact to the cost of service of making the reclassification described above, as it is merely a geography change from various expense accounts to Account 403, 408, 925, 926, 930 and 931.

The second step is to develop composite Test Year capitalization percentages for PSNH and ESC as shown on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 6, line 78, so that the Company can reflect the actual capitalization adjustment in the Test Year to the Test Year Pro Forma in the relevant O&M schedules for employee benefits, payroll taxes, corporate insurance, leases and ESC capital costs, such as enterprise IT expense.

A. Operating Revenues

Q. Which schedule shows the adjustments to Operating Revenues?

A. Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-4, page 1 shows the Test Year revenue per books in Column (B). Revenues associated with other reconciling mechanisms totaling $(1,215,928,553) have been removed from Test Year revenues as shown in Column (C). More specifically, as shown in lines 26 through 32, Column (C), the non-distribution revenues of $(806,277,772) that have been removed from the Test Year are recovered through other reconciling rate mechanisms established by the Commission, including transmission, Energy Efficiency, transition, retail, electric assistance program, and Energy Service. Other Revenues shown in lines 38 through 44, Column (C) totaling $(409,650,781) were also removed from Test Year revenues. Lastly, adjusted Test Year revenues are shown in Column (D).

Q. Please describe any normalizing adjustments that were made to Operating Revenues.

A. As described above, the Company reflected total normalizing adjustments to operating revenues of $(36,000), as shown in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-4, page 1, column (E). These adjustments are associated with prior period rental revenue of $(6,694) and rental revenues associated with an expired lease of $(29,306) as summarized in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, lines 39 through 42.

B. Adjustments to O&M Expense

Q. What is the amount of per-book Test Year O&M Expense?

A. In the Test Year, the Company incurred $211,224,142 in O&M Expense, as shown on Attachment ES-REVREQ-1 (Temp), Schedule REVREQ-5, page 2, line 47, Column (B).

Q. Has the Company removed non-distribution expenses, such as those associated with power production and transmission expenses?

A. Yes. The Company conducted a rigorous process to identify and remove non-base distribution expenses. First, the Company reflects total Test Year expenses per books to the equivalent expenses by account reflected on pages 320-323 in the FERC Form 1 Report. Those audited expense balances, totaling $903,871,138, are the starting point for the adjustment calculation and are shown on Schedule ES-REVREQ-5, page 4, Column (C). Next, as shown on Schedule ES-REVREQ-5, page 3, line 84, Column (D) and page 4, line 84, Columns (D) through (K), the Company identified $708,601,418 related to non-base distribution expenses recovered through other rate mechanisms in the test year and established by the Commission including default energy service, pole plant adjustment mechanism, regulatory reconciliation adjustment, systems benefit charge (energy efficiency), transmission, and the stranded cost recovery charge (generation). Then, the Company adjusted the Test Year by removing the non-base distribution expenses of $708,601,418 as shown on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 3, Column (D) as to remove the impact of these expenses from the revenue requirement proposal in this case. The process discussed above was also performed for other operating expenses and taxes other than income in the same referenced schedules.

Q. Please describe the normalizing adjustments to O&M Expense included in Schedule ES-REVREQ-5 (Temp), page 5.

A. The normalizing adjustments presented on Attachment ES-REVREQ-1 (Temp), Schedule REVREQ-5, page 5, line 94, result in a net increase to Test Year O&M Expense of $8,269,763.

Q. Please describe any other significant normalizing adjustments that were made to O&M Expense.

A. The Company has made additional normalizing adjustment to O&M Expense as itemized on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5. The Company has discussed the most material adjustments elsewhere in this testimony, including the amortization of unrecovered storm costs and the impact of accounting entries related to the CCI pole acquisition. The most significant of the remaining normalizing adjustments are summarized as follows:

- A decrease to Account 593 of $(2,567,308) exclude affiliate labor allocated to PSNH in the Test Year. Please refer to Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, line 46.

- A decrease to Account 593 of $(902,206) to normalize the Test Year level of vegetation management expense related to facilities around the CCI pole assets. Please refer to Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, line 47.

- An increase to Account 920 of $1,256,146 to normalize the Test Year level of variable compensation expense to exclude the impact of accounting entries recorded in the Test Year. These entries occurred during the Test Year but are related to the prior calendar year. Therefore, an adjustment is required so that only the amounts related to the Test Year activity remain. Please refer to Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, line 60.

- A decrease to Account 923 of $(500,000) to reclass the amortization of merger costs to Account 407 for presentation purposes, resulting in no impact to the overall cost of service. Please refer to Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, line 66 and line 28.

- A decrease to Account 926 of $(682,396) to exclude non-recurring non-qualified pension settlements paid in the Test Year. Please refer to Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, line 79.

- A decrease to Account 928 of $(901,416) to reduce expenses to reflect actual amounts invoiced by the Commission for Fiscal Year ("FY") 2024 regulatory assessments. More specifically, the reduction of ($901,416) reflects the difference between the amount booked for regulatory assessments in the Test Year of $5,598,158 and the actual invoiced amount in FY 2024 of $4,696,742.[8] During the

[8] The FY 2024 assessment totals $4,706,742 less an allocation of $10,000 assigned to Energy Service.

course of this proceeding, the Company expects to receive updated regulatory assessments from the Commission and will update its revenue requirement accordingly to reflect this known and measurable change. Please refer to Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, line 81.

- An increase to Account 930 of $12,856,274 to reclass depreciation expense for enterprise IT projects from Account 403 to Account 930 for presentation purposes to include in the enterprise IT Expense schedule reflected in O&M. Please refer to Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5, line 18 and line 87.

- The remaining normalizing adjustments total a net decrease of $(289,330) across various accounts as itemized in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-5, page 5.

C. Vegetation Management

Q. What is included in the Company's Vegetation Management expense?

A. As shown in Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-20, Page 2, the test year actual vegetation management expense is $42,330,748, which includes; (1) $33,133,354 associated with the Company's base vegetation management program, and (2) $9,197,394 associated with vegetation management costs for areas around CCI facilities, which have been recorded in the PPAM tracking mechanism and transferred to base rates as part of the proposed revenue requirement in the instant proceeding.[9] Following the execution of the PPA between PSNH and CCI to acquire CCI's pole assets, the Company will assume all vegetation management costs for areas surrounding these assets. Since the Company fully expects this vegetation management work to continue, it has included the costs in its overall vegetation management program costs.

Q. Have you adjusted the test year level of expense for Vegetation Management?

A. Yes. The level of vegetation management activities around previously joint-owned CCI pole assets in the test year reflect the actual expenses following the execution of the PPA on May 1, 2023. To normalize this amount to establish a more representative annual expense, the Company has calculated an adjustment reflecting a monthly average of CCI vegetation management billings from November 2017 through December 2023 annualized to reflect a twelve-month period. This resulted in a decrease to test year vegetation management expense of $902,206.

D. Amortization of Deferred Assets

Q. Has the Company made normalizing adjustments to the Test Year amortization expense?

A. Yes. Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-30, page 2, line 30, Column (C) shows an increase to amortization expense of $33,429,279. This net increase is primarily driven by two items: (1) an increase of $16,896,040 associated with the

[9] The acquisition of CCI pole assets and the PPAM tracking mechanism is explained in more detail below in Section IX.

reversal of a previously established reserve for vegetation management expenses related to billings to CCI that will be recovered through the PPAM (line 23); and (2) the amortization of deferred storm costs, totaling $9,022,155 (line 20). The other normalizing adjustments reflected in Amortization of Deferred Assets are summarized as follows:

- Column (C), line 19 represents the amortization of allowed rate cases expenses as authorized in Docket No. DE 19-057 in Order No. 26,634 (May, 27, 2022) at 1. Eversource is authorized to collect $1,762,807 through its RRA mechanism over five years, beginning August 1, 2022, totaling $352,561 per year. The Company's proposal in this case is to recover these amounts in base rates and reflect the outstanding balance as of July 31, 2024, estimated at $1,057,684, to be amortized over five years, totaling $211,537. This results in a reduction to the Test Year of $141,025.

- Column (C), line 21 reflects the recovery of the Fee Free program expenses since the approval in Docket No. DE 19-057. As described above, pursuant to Section 12.3, the Company may recover $375,000 of program-related costs in base rates annually beginning January 1, 2021, subject to reconciliation at the time of the Company's next rate case, with carrying charges on the over- or under-recovered balance calculated using the prime rate. If the actual costs resulting from customers' adoption of the fee free option exceed the $375,000 allowed in rates in the first year, the Company can increase the amount in rates to an amount reflecting the estimated costs, but not more than $520,500 effective February 1, 2022. In this proceeding, the Company has reflected an adjustment to reconcile the historical amounts for the Fee Free Credit and

Debit Card payments in accordance with the Docket No. DE 19-057 Settlement Agreement. The Company proposes to recover the outstanding balance as of July 31, 2024, estimated at $528,009, over five years, resulting in an annual recovery of $105,602.

- Column (C), line 22 reflects the recovery of the New Start program expenses since the approval in Docket No. DE 19-057. Pursuant to Section 13 of the Settlement Agreement, the Company is permitted to recover $1,077,356 in base rates annually beginning February 1, 2022, subject to reconciliation at the time of the Company's next rate case, with carrying charges on the over- or under-recovered balance calculated using the Prime Rate. In this proceeding, the Company has reflected an adjustment to reconcile the historical amounts for the New Start program in Amortization of Deferred Assets in accordance with the DE-19-057 Settlement Agreement. In this proceeding, the Company has reflected an adjustment to reconcile the historical amounts for the New Start program in accordance with the Docket No. DE 19-057 Settlement Agreement. The Company proposes to recover the outstanding balance as of July 31, 2024, estimated at $4,900,068, over five years, resulting in an annual recovery of $980,013.

- Column (B), line 24 reflects the reversal of the bad debt reserve entry following the PPA with CCI on May 1, 2023. The purchase accounting for the transaction required to the Company to account for the poles based on the total consideration paid, which was $5.9 million in cash and $17.4 million in accounts receivable forgiveness. PSNH wrote-off the entire $17.4 million accounts receivable forgiveness and reversed $4.7 million of the existing bad debt reserve associated with bad debt assigned to CCI receivables. As this is a one-time non-recurring change in the test year, the Company included a normalizing adjustment to offset this purchase accounting entry and increased the Test Year by $4,738,341 in Column (C).

- Column (B), line 25 is associated with the reversal of a previously established reserve of $911,000 resulting from a June 30, 2023 settlement agreement between the Company and DOE. The settlement reduced the disallowance of the Pemigewasset Substation Project from $911,000 to $615,000, which allowed for recovery of $296,000 to be recovered in the next rate case. Given the order approving the settlement as proposed on September 11, 2023, the Company updated its books and records by removing the previous reserve and wrote-off the $615,000 in capital additions. As this is a one-time non-recurring change in the test year, the Company included a normalizing adjustment to offset this accounting entry and increased the Test Year by $937,000 in Column (C).

- Column (B), line 27 is related to the Company's Step 3 adjustment approved in Docket No. DE 19-057. The Step 3 adjustment implementation was delayed and deferral was ultimately approved by the Commission to be recovered in base rates on November 1, 2022 to continue until July 31, 2023. Thus, seven months of amortization, totaling

$1,730,556 was included in the Test Year. The Company reduced the Test Year by this amount as it has been fully amortized as of this filing.

Q. Please further explain the normalizing adjustment for the PPAM Pole Purchase Reserve.

A. The PPA executed on May 1, 2023 between the Company and CCI occurred following the Commission's approval on November 18, 2022 in order 26,729, which (1) approved the PPA and transfer of pole ownership, (2) directed the Company to use the method suggested by New England Cable and Telecommunications Association (NECTA) to calculate the original net book value to be used for ratemaking purposes of $15.9 million and (3) approved the Company to recover all pole inspection and vegetation management costs incurred beginning February 10, 2021 through the PPAM. Resulting from this order and the execution of the PPA, the Company removed a previously established reserve for vegetation management expenses attributed to CCI related to previously joint-owned poles, totaling $16,896,040. The Company is eligible to include the vegetation management expenses incurred from February 10, 2021 through the PPAM. As part of the proposed PBR mechanism, the Company proposes to eliminate the PPAM and discusses the final reconciliations to be included in the PPAM in more detail in the Company's testimony on permanent rates.

Q. What is the current status of unrecovered major storm costs for PSNH?

A. Due primarily to significant storm activity in 2022 and 2023, as of January 31, 2024, the net deficit for the Company's storm reserve totaled approximately $272 million. The annual storm funding previously collected in distribution rates is $12 million annually. The funding is offset against deferred storm costs, resulting in a net funding or a net deficit position for storms. The Company discusses its storm fund proposal in more detail in the Company's testimony on permanent rates.

Q. What is the normalizing adjustment associated with the amortization of unrecovered storm costs?

A. Resulting from the Docket No. DE 19-057 Settlement Agreement, the Company was recovering $68.5 million over five years associated with unrecovered storm costs as of December 31, 2018 beginning on August 1, 2019. The Company is projected to be fully recovered on these storms by August 1, 2024, the date temporary rates take effect in this proceeding. As part of its temporary rate proposal, the Company is requesting to maintain the level of storm funding in current rates, which includes (1) the amortization of $15,216,947 and (2) the annual storm reserve funding of $12 million to be applied against the approved storm costs from DE 22-031 and DE 23-051 proceedings. Thus, the Company reflected $24,239,102 in the Adjusted Test Year for unrecovered storm costs that will be reflected in temporary rates on August 1, 2024, which includes (1) $23,708,013 associated with the projected unrecovered balance as of July 31, 2024 plus (2) $531,089 in carrying charges as shown Attachment ES-REVREQ-1 (Temp), Workpaper ES-REVREQ-30, page 3 and page 4. The Company estimates that it will recover the total cost of approved storms from DE 22-031 and DE-051 with this proposal.

V. CONCLUSION

Q. How does this temporary rate request relate to the Company's anticipated request for permanent distribution rates?

A. Pursuant to RSA 378:28, PSNH is also filing an application with the Commission to request a permanent distribution rate change. The Company is filing this request in this filing, as well, including with detailed testimony and exhibits, consistent with the Commission's requirements. The Company's request for temporary rates will provide a partial measure of rate relief during the adjudication of the permanent rate request.

Q. Will the Commission's approval of the proposed temporary distribution rates allow PSNH to recover its full cost of service?

A. No. The revenue level that would be set by the Commission's approval of this temporary rate request is less than the total revenue requirement adjustment that the Company will seek in the permanent case. Because the process for review of temporary rates is generally conducted on an expedited basis, temporary rate filings typically include only easily verifiable major costs that are driving the need for the requested rate relief. The temporary rates are eventually reconciled in a final order of the Commission issued in the permanent rate docket. Therefore, PSNH customers are protected against an unjustified rate level.

Q. Are the proposed temporary rates "sufficient to yield not less than a reasonable return on the cost of the property of the utility that is used and useful in the public service less accrued depreciation, as shown by the reports of the utility filed with the [C]omission[?]"[10]

A. Yes. With the proposed temporary rates in place, the Company will have the opportunity to earn a reasonable return on its investment calculated based on the books and records on file with the Commission and subject to the normalizing adjustments described above. The Company determined the capital structure and cost of long-term debt, short-term debt, and equity using an average of the five quarter-ending balances spanning the Test Year. As shown on Attachment ES-REVREQ-1 (Temp), Schedule ES-REVREQ-40, page 1, and summarized in Figure 6 below, the Company's requested rate of return is equal to 6.95 percent.

Figure 6. Cost of Capital (5-Quarter Average – December 31, 2023)

	Component Percentage	Cost	Weighted Cost
Common Equity	56.05%	9.30%	5.21%
Long-Term Debt	39.82%	3.82%	1.52%
Short-Term Debt	4.13%	5.27%	0.22%
Total	**100%**		**6.95%**

Q. What action are you requesting of the Commission at this time?

A. The Company requests that the Commission approve a temporary rate increase of approximately $77 million with an effective date of August 1, 2024. This increase will

[10] R.S.A. § 378:27.

provide critically needed rate relief to the Company during the Commission's detailed and comprehensive review of the permanent rate filing. Under the Company's proposal, the temporary increase will be reconciled beginning August 1, 2024, relative to any change ordered by the Commission in the permanent rate review.

Q. Does this conclude your testimony?

A. Yes, it does.