THE STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

PREPARED TESTIMONY OF ERICA L. MENARD

AUGUST 1, 2021 THROUGH JANUARY 31, 2022
DEFAULT ENERGY SERVICE RATE CHANGE

Docket No. DE 21-077

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

A. My name is Erica L. Menard. My business address is 780 North Commercial Street, Manchester, NH. I am employed by Eversource Energy Service Company as the Manager of New Hampshire Revenue Requirements and in that position, I provide service to Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource" or the "Company").

Q. What are your current responsibilities?

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

Q. Have you previously testified before the Commission?

A. Yes.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is: (1) to provide an overview of this filing; and (2) to seek the necessary approvals to set a fixed ES rate for the Small Customer class (Rates R, R-OTOD, G, G-OTOD, and any outdoor lighting associated with those rates billed under Rates EOL and OL), and a monthly ES rate for the Large Customer class (Rates GV, LG, B, and any outdoor area lighting taken in conjunction with these rates billed under Rate OL) applicable for the six-month period beginning August 1, 2021 for Eversource's customers who take service under the ES rate.

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, 2021 through January 31, 2022 based on the weighted average of the six monthly-contracted prices contained in the supply agreement(s) with the winning ES supplier(s) for the Small Customer class. The fixed ES rate for the period of August 1, 2021 through January 31, 2022, for the Small Customer class is $0.08826 per kWh as calculated on page 1 of Attachment ELM-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, 2021 through January 31, 2022 based on the six monthly-contracted prices contained in the supply

agreement with the winning ES supplier for the Large Customer class. The monthly ES rates for the period of August 1, 2021 through January 31, 2022, for the Large Customer class, as calculated on page 2 of Attachment ELM-1, are as follows:

Large Customer Energy Service Rates

Month	Rate ($/kWh)
August 2021	$0.07291
September 2021	$0.06587
October 2021	$0.06665
November 2021	$0.07690
December 2021	$0.09855
January 2022	$0.13058

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

A. Attachment ELM-1 (page 1) provides the calculation of the total monthly ES rates for the Small Customer class including the cost of RPS compliance, prior period reconciliations for ES, RPS, cost of administrative and general expense associated, and working capital requirement with the ES offering. The weighted average fixed rate for the six-month period is calculated on Line 13.

Attachment ELM-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 administrative and general expense, and working capital requirement associated with the energy service offering. The monthly rates for the six-month period are calculated on Line 11.

Attachment ELM-1 (page 3) provides the forecasted administrative and general expenses associated with the energy service offering. The A&G adjustment factor is calculated on Line 8.

Attachment ELM-2 (pages 1 and 2) provides a reconciliation of the Small Customer and Large Customer ES costs and revenues for the 12-month period ended July 31, 2021. Actuals through October 2020 were provided in the Company's December 10, 2020 filing for rates effective February 1, 2021.

Attachment ELM-2 (page 3) provides administrative and general expense allocations to the Small Customer and Large Customer rate classes, for the 12-month period ended July 31, 2021. Actuals through October 2020 were provided in the Company's December 10, 2020 filing for rates effective February 1, 2021.

Attachment ELM-2 (page 4) provides a reconciliation of the RPS expense and revenues included in the ES rate for the 12-month period ended July 31, 2021. Actuals through October 2020 were provided in the Company's December 10, 2020 filing for rates effective February 1, 2021.

Reconciling factors are being included in the calculation of the ES rates effective August 1, 2021. This is consistent with Section 2.H of the Settlement Agreement approved in Docket No. DE 17-113.

Q. What are the final results for Energy Service and Renewable Portfolio Standard (RPS) for the reporting period August 2020 through July 2021?

A. Attachment ELM-2, pages 1, 2, 3 and 4 include actual costs for August 2020 through May 2021 and updated forecast amounts for June and July 2021.

The Small Customer Base Rate over recovery on Attachment ELM-2, page 1 of ($12.0) million is due to the July 31, 2020 beginning balance of ($6.4) million over recovery in addition to the current period ($5.3) million over recovery related to energy service revenues being greater than expenses due to higher sales than previously forecast. This results in an energy service reconciliation factor rate of ($0.00363)/kWh as shown on Attachment ELM-1, page 1, line 6.

The Large Customer Base Rate over recovery of ($0.3) million shown on Attachment ELM-2, page 2 is due to the July 31, 2020 beginning balance of $0.2 million under recovery offset by ($0.5) million over recovery from energy service revenues being higher than expenses due to lower wholesale load requirements. This results in an energy service reconciliation factor rate of ($0.00187)/kWh as shown on Attachment ELM-1, page 2, line 6.

The RPS Rate over recovery of ($0.9) million shown on Attachment ELM-2, page 4 is due to the July 31, 2020 beginning balance of ($9.5) million over recovery offset by $8.8 million under recovery due to RPS expense being higher than revenues related to the RPS reconciliation credit factor approved in Docket No. DE 20-054 and Order No.

26,368. The return on working capital costs results in a $0.4 million over recovery based on a lead lag analysis. This results in a RPS reconciliation adjustment factor rate of ($0.00026)/kWh as shown on Attachment ELM-1, pages 1 and 2, line 8.

Q. Are net metering costs included in the Energy Service rate?

A. No. In accordance with the terms of the Settlement Agreement approved in Docket No. 20-136 and Order No. 26,450 (January 29, 2021), Eversource moved all net metered and group host costs and any offsetting wholesale market revenues into the Net Metering Adder as part of the SCRC rate.

Q. Did the Company include a working capital component for energy supply and renewable energy credits in the calculation of the Energy Service rates in this filing?

A. Yes. In Order No. 26,237 issued on April 25, 2019 in Docket No. DE 18-073, Commission authorized Eversource to use the results of a lead/lag study in the calculation of working capital requirements for energy service rates. The Company has conducted an update to its previous lead-lag study based on calendar year 2020 as provided in Attachment ELM-3 and incorporates the results of the study to calculate the return on cash working capital requirements included in this filing for rates effective August 1, 2021.

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. Since 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 reimburse its vendors until after a service is provided.

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

A. The Lead/Lag Study based on calendar year 2020 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 on Attachment ELM-3, page 3, the Lead/Lag Study produced a Purchase Power expense net lag of 3.95 days for Small Customers. This corresponds to 1.08 percent of annual expense (3.95/365) or between 12.7 and 13.2 percent

of forecast monthly expense. The study produced a Purchase Power expense net lag of 23.27 days for Large Customers. This corresponds to 6.37 percent of annual expense (23.27/365) or between 75.1 and 77.6 percent of forecast monthly expense. A net lead of 80.75 days or (22.12) percent (-80.75/365) was estimated for annual RPS compliance expense.

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 on Attachment ELM-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 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 "collection lag" for energy service totaled 32.81 days. This lag reflects the time delay between the mailing of customer bills and the receipt of the billed revenues from customers. The 32.81 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 ELM-

3, Page 6 details monthly balances for retail accounts receivable balance, separated by Small and Large Customers. Attachment ELM-3, Page 6 calculated the average daily revenue amount by dividing total revenue by 365 days ($733,614 for Small Customers and $37,429 for Large Customers). The resulting Collection Lag is derived by dividing the average daily accounts receivable balance on line 14 by the receivables-turnover/average daily revenue amount to arrive at the Collection lag of 32.48 days for Small Customers and 39.29 days for Large Customers.

Q. How did you arrive at the 1.48 day "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 uses a 1.48 day billing lag as shown on Attachment ELM-3, page 7 for small customer and Attachment ELM-3, page 8 for large customers. An exception has not been made for large customers which may require additional time to process.

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

A. Yes. The total retail revenue lag of 49.17 days for Small Customers and 55.98 for Large Customers is computed by adding the number of days associated with each of the three retail revenue lag components as shown on Attachment ELM-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 receipt of the related revenues from retail customers.

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 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 ELM-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. Renewable Portfolio Standard compliance is achieved through a combination of market purchases, contracted purchases through Long-Term Purchase Power Agreements with Burgess BioPower and Lempster Wind and Alternative Compliance Payments ("ACP"). The Company obtains and retires Renewable Energy Certificates ("RECs") from these sources, or provides ACP, to meet annual RPS requirements. However, RPS compliance filings are not due until July 1 following the end of the prior compliance year. As a result, REC procurement activity and payment continues for up to 6 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 2020 RECs and estimated ACP is included in Attachment ELM-3, page 13. The payment dates for these purchases are compared to the load-weighted midpoint of the 2020 compliance year to which they were applied for RPS compliance. The resulting dollar-weighted lead for market REC purchases and ACP was 145.7 days.

Payments for RECs procured through long-term contracts are made on a more timely, regular basis as shown in Attachment ELM-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 120.8 days.

The summary of contracted and market purchases is shown on Attachment ELM-3, Page 11 for a total RPS expense lead of 130.2 days.

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

A. Yes. Based on the results of the lead-lag analysis of Eversource Energy Service Cash Working Capital, the Company identified a Purchased Power expense lag for Small Customers of 3.95 days, or between 12.7 and 13.2 percent of forecast monthly expense resulting in a cash working capital allowance of $2.0 - $5.6 million. For Large Customers 23.27 days or between 75.1 and 77.6 percent of forecast monthly expense resulting in a cash working capital allowance of $0.5-$1.5 million. The RPS expense lead for all customers is calculated to be (80.75) days or (22.12) percent of annual expense resulting in a cash working capital allowance of ($5.8) million. The return on the working capital requirement for August 2020 through July 2021 is estimated to be ($0.3) million and is included in the Energy Service reconciliation. A forecasted working capital requirement and associated return has also been calculated for August 2021 through January 2022 and is incorporated into the forecasted energy service rate as shown on Attachment ELM-1, page 4.

Q. Has the Company calculated the customer bill impacts for the proposed August 1, 2021 ES rate change?

A. Yes. The rate impacts are provided in Attachment ELM-4.

- Page 1 provides a comparison of residential rates proposed for effect August 1, 2021 to current rates effective February 1, 2021 for a 550 kWh monthly bill, a 600 kWh monthly bill, and a 650 kWh monthly bill.
- Page 2 provides a comparison of residential rates proposed for effect August 1, 2021 to rates effective August 1, 2020 for a 550 kWh monthly bill, a 600 kWh monthly bill, and a 650 kWh monthly bill.
- 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 energy service.

The rate impacts provided in Attachment ELM-4 incorporate changes in the Distribution rate reflecting the permanent rates approved in Docket No. DE 19-057 and Order No. 26,433 (December 15, 2020) and the ES rate change proposed in this filing. Changes to the RRA, 2020 Step 2 Adjustment, SCRC and TCAM rates are also anticipated for August 1, 2021 but are not included in this Attachment at this time as they have not yet been approved.

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

A. Yes, updated tariff pages have been provided as Attachment ELM-5.

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

A. Yes, Eversource is seeking final approval of the proposed ES rates by June 24, 2021 to inform the winning bidders, to allow for appropriate notice customers and to implement the new rates for service rendered on and after August 1, 2021.

Q. Does this conclude your testimony?

A. Yes, it does.