

STATE OF NEW HAMPSHIRE
BEFORE THE PUBLIC UTILITIES COMMISSION
PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY
2024 LOST BASE REVENUE RATE
DIRECT TESTIMONY OF YI-AN CHEN

September 1, 2023

Docket No. DE 23-XXX

I. INTRODUCTION

Q. Please state your name, by whom you are employed and in what capacity.

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 have more than 15 years of 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.

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

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

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

10 A. No, I have not.

11 **Q. What is the purpose of your testimony?**

12 A. The purpose of my testimony is to present and support the estimated calculation of the
13 lost base revenue ("LBR") component of the SBC rate for effect January 1, 2024. My
14 testimony explains what is contained in Attachment YC-1, which provides the estimated
15 calculation of the LBR rate component of the SBC rate for Eversource. The testimony
16 provides an explanation of the changes made to the LBR rate component to account for
17 the directives of HB 549, which amended RSA 374-F:3, VI-a ("HB 549"). This is
18 consistent with the Commission's directive in the Prehearing Order issued in Docket No.
19 DE 23-068 which states:

20 "The Commission . . . directs Eversource to file a its request for
21 authorization to collect lost base revenues in 2024 as expeditiously as
22 possible, and not later than September 1, 2023."

II. LBR COMPONENT OF THE SBC RATE

Q. What is the estimated LBR component of the SBC rate and how was it calculated?

A. HB 549 states, “the joint utility energy efficiency plan and programming framework and components, including utility performance incentive payments, lost base revenue calculations, and Evaluation, Measurement, and Verification process that were in effect on January 1, 2021, shall remain in effect until changed by an order or operation of law as authorized in subparagraphs (3) and (5).” Consistent with this legislative directive, Eversource “trued-up,” or reconciled, the most recent actual LBR rate and also calculated the estimated LBR rate for effect on January 1, 2024, as shown in the table below:

Lost Base Revenue (LBR) Rate (\$ per kWh)		
<u>Effective Date</u>	<u>Proposed Rate</u>	<u>Actual Rate</u>
January 1, 2022		\$ 0.00065
May 1, 2022		0.00185
January 1, 2023		\$ 0.00205
January 1, 2024	\$ 0.00181	

For the proposed rate of \$0.00181, for effect on January 1, 2024, the LBR component of the SBC rate was calculated using the sum of the preliminary 2023 LBR over-recovery amount carried into 2024 (totaling \$407,000¹), the forecasted LBR revenue further described below, and the estimated current year carried-over interest charge on any over or under recovery amount, the total of which is then divided by the forecasted sales. The over or under recovery of revenue occurs as a result of differences between the preliminary calculated LBR rate and the actual revenue collected from the LBR rate.

Over or under recoveries typically result from variances between: 1) actual sales volumes

¹ Attachment YC-1, Page 7, Line 4, Col. B.

1 and forecasted sales volumes, and 2) actual measure savings and forecasted measure
2 savings. In both instances, the forecasted sales were used to calculate the estimated LBR
3 component of the SBC rate.

4 **Q. Please explain the contents of Attachment YC-1.**

5 A. The LBR rate calculations and supporting documentation are provided on pages 1
6 through 11 of Attachment YC-1.

- 7 • Page 1 provides a summary of the component parts of the LBR rate for 2024,
8 which includes the sum of the forecasted LBR revenue, the prior plan year over
9 recovery balance (with interest), and the interest from 2024, which results in total
10 estimated LBR revenue for 2024. The total LBR revenue is then divided by the
11 forecasted sales to arrive at the LBR rate proposed in this filing.
- 12 • Pages 2 through 4 provide the supporting calculations for LBR for calendar years
13 2022 through 2024 using actual (2022), estimated/forecasted (2023), and
14 forecasted (2024) kWh savings and rates. Energy efficiency measures installed
15 after 2018 have LBR calculated by adding two “separate” calculations: (1) the
16 kWh savings multiplied by the sector’s kWh LBR Average Distribution Rate
17 (“ADR”); and (2) the kW savings multiplied by the sector’s kW LBR ADR. The
18 sum of these two calculations results in the total LBR for measures installed. This
19 method is used to calculate LBR for the life of the measure for all measures
20 installed on or after January 1, 2019.

- Pages 5 through 7 provide the (i) reconciliation of LBR for 2022 using actual monthly revenues collected against actual LBR to determine the over or under recovery, plus interest, that is carried over into the 2023 plan year; and (ii) preliminary reconciliations of actual (collected thus far) and forecasted monthly revenues against estimated (2023) and forecasted (2023/2024) LBR for the calendar years 2023 and 2024.
- Page 8 provides average sector distribution rates from calendar year 2022 for use in the calculation of the LBR.
- Page 9 provides the total 2024 LBR rate bill impacts compared to the bill impacts from the August 2023 LBR rate.
- Pages 10 and 11 provide additional details supporting the calendar year 2022 average distribution rate calculation for each customer class.

Q. Are there changes in the way that LBR is calculated for the upcoming three-year plan, compared to the current plan period of 2022 and 2023?

A. No. LBR for the three-year plan was calculated consistent with the mandate of HB 549, which states that LBR must be calculated and implemented in the same manner as it was on January 1, 2021, therefore there is no difference between the LBR calculation methodology between the current period that ends on December 31, 2023 and the upcoming three-year plan, including the 2024 LBR rate proposed in this filing.

1 **Q. Please describe how kWh savings are derived for the first month of a new measure's**
2 **installation.**

3
4 A. Savings are calculated consistent with sections III and IV and Appendix A and B of the
5 EERS Working Group Report on LBR², which is how LBR was calculated on January 1,
6 2021 and therefore how LBR should be calculated consistent with HB 549. When
7 calculating forecasted savings, a 50 percent factor is applied to reflect the reality that
8 energy efficiency measures are implemented throughout any given month rather than
9 representing that all measures are implemented on the first of the month, which is not
10 what actually takes place. When calculating actual savings in the calendar year
11 reconciliation, 100 percent of savings are claimed beginning in the month in which the
12 measure is paid for, which is on average two months after measures are installed and
13 begin generating savings.

14 **Q. Please describe how Eversource has accounted for 2018 test year savings from the**
15 **most recently approved rate case in Docket No. DE 19-057, within the calculation of**
16 **LBR.**

17
18 A. Consistent with the Settlement Agreement approved by the Commission in Docket No.
19 DE 19-057 by Order No. 26,433 (December 15, 2020), measures installed prior to the
20 2018 test year were incorporated into the cost of service and revenue requirement and
21 therefore are not included in the calculation of LBR savings. For measures installed
22 during the 2018 test year, those annualized savings were not fully recognized in 2018 and
23 therefore the residual savings that were not recognized in the test year were not

² For the EERS Working Group Report, please see
https://www.puc.nh.gov/EESE%20Board/EERS_Working_Groups.html

1 incorporated into the revenue requirement that resulted from the Settlement Agreement.
2 Those residual savings not fully recognized in 2018 are what comprised the 2018 savings
3 and LBR calculations included in the cumulative kWh savings in this filing.

4 **Q. Please describe the derivation of the Average Distribution Rates used in the**
5 **calculation of LBR.**

6 A. Consistent with section V of the EERS Working Group Report³, the ADR used in the
LBR preliminary reconciliation calculation for 2023 and in the forecasted LBR
calculation for 2024 utilizes the distribution rates in effect in 2022 using billing
determinants for the 12-month period ending December 31, 2022.

7 **Q. Please describe how Eversource has accounted for retirements in the calculation of**
8 **LBR.**

9 A. Consistent with sections III.F and IV.F. of the EERS Working Group Report,⁴ any
10 savings associated with measures that are retiring within the calendar year are removed
11 from the LBR calculation. A separate line showing retired measures where there are any,
12 is provided in the schedules supporting the LBR calculation. As measures retire, the
13 savings from those measures will be removed from the calculation.
14

³ *Id.*

⁴ *Id.*

1 **Q. Please explain why the 2023 LBR reconciliation is considered a preliminary**
2 **calculation.**

3
4 A. The 2023 LBR reconciliation is a preliminary calculation because the 2023 LBR savings
5 contain a partial estimate and will not be finalized until after the end of the calendar year.
6 The final 2023 LBR and any resulting over- or under-recoveries will be calculated in the
7 2023 annual performance filing to be made on June 1, 2024. Any over- or under-
8 recoveries will be carried forward into the 2025 LBR rate, which will become effective
9 January 1, 2025.

10 **III. TOTAL LBR AND BILL IMPACTS**

11 **Q. What is the total estimated LBR component of the SBC rate?**

12 A. Page 1 of Attachment YC-1 provides a summary of the LBR component of the SBC rate.
13 The recent actual LBR rates for January 1, 2022, May 1, 2022, and January 1, 2023, as
14 well as the estimated 2024 LBR rate presented in this filing are summarized and shown in
15 the table provided above in Section II, page 3.

1 **Q. Have you provided bill impacts associated with the proposed LBR?**

2 A. Yes. The bill impacts for a typical residential and C&I customer are provided on Page 9
3 of Attachment YC-1. The bill impact for the proposed LBR rate to take effect January 1,
4 2024 is measured against the rate currently in effect.

5

6 **Q. Does the Company require Commission approval of the LBR component of the SBC**
7 **rate billed to customers by a specific date?**

8

9 A. Yes, RSA 374-F:3, VI-a(d)(5) deems the three-year energy efficiency plan automatically
10 approved if the Commission does not issue an order by November 30, 2023, but makes
11 an exception for performance incentives and LBR: “If the commission fails to issue an
12 order on either a 3-year plan or an interim program update during the year in which a
13 petition is filed, the proposed alterations to programs and budgets shall be deemed
14 approved *except for changes in performance incentives and recovery of lost base*
15 *revenues, which the commission shall promptly review and approve by order.*”
16 (emphasis added). Therefore, Eversource respectfully requests that the Commission
17 approve the LBR rate as proposed for effect on January 1, 2024.

1 **IV. CONCLUSION**

2 **Q. Will the approval and implementation of the proposed LBR rate result in just and**
3 **reasonable rates?**

4 **A. Yes it will.**

5

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

7 **A. Yes, it does.**

8