STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE

d/b/a EVERSOURCE ENERGY

DOCKET NO. DE 24-070

DIRECT TESTIMONY AND EXHIBITS OF

LISA V. PERRY

ON BEHALF OF

WALMART INC.

JANUARY 24, 2025

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I. Introduction

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND OCCUPATION.

A. My name is Lisa V. Perry. My business address is 2608 SE J Street, Bentonville, AR 72716-0550. I am employed by Walmart Inc. ("Walmart") as Director, Utility Partnerships - Regulatory.

Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS DOCKET?

A. I am testifying on behalf of Walmart.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I received a J.D. in 1999 and a LL.M. in Taxation in 2000 from the University of Florida Levin College of Law. From 2001 to 2019, I was in private practice with an emphasis from 2007 to 2019 in Energy Law. My practice included representing large commercial clients before the utility regulatory commissions in Colorado, Texas, New Mexico, Arkansas, and Louisiana in matters ranging from general rate cases to renewable energy programs. I joined the Energy Services department at Walmart in September 2019 as Senior Manager, Energy Services. My Witness Qualifications Statement is attached as Exhibit LVP-1.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION ("COMMISSION")?

A. No, I have not.

Q. HAVE YOU PREVIOUSLY SUBMITTED TESTIMONY BEFORE OTHER STATE REGULATORY COMMISSIONS?

A. Yes, I have submitted testimony with state regulatory commissions for Arkansas, Colorado, Connecticut, Florida, Georgia, Iowa, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Michigan, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, Texas, Virginia, Washington, Wisconsin, and Wyoming. I have also provided legal representation for customer stakeholders before the state regulatory commissions for Colorado, Texas, Arkansas, Louisiana, and New Mexico in the cases listed under "Commission Dockets" in Exhibit LVP-1.

Q. ARE YOU SPONSORING EXHIBITS IN YOUR TESTIMONY?

A. Yes, I am sponsoring the exhibits listed in the Table of Contents.

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS IN NEW HAMPSHIRE.

A. As shown on Walmart's website, Walmart operates 28 retail units and one distribution center.[1] Walmart employs over 8,000 associates in New Hampshire.[2] In fiscal year ending 2024, Walmart purchased $327.9 million worth of goods and services from New Hampshire-based suppliers, supporting over 6,700 supplier jobs.[3]

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[1] https://corporate.walmart.com/about/location-facts/united-states/new-hampshire
[2] *See id.*
[3] *See id.*

Q. PLEASE BRIEFLY DESCRIBE WALMART'S OPERATIONS WITHIN THE SERVICE TERRITORY FOR THE PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A EVERSOURCE ENERGY ("EVERSOURCE" OR "COMPANY").

A. Walmart is a large customer of Eversource with 19 retail facilities, one distribution center, and related facilities that take electric service from the Company, primarily on the Primary General Delivery Service Rate GV rate schedule (“GV”).

II. Purpose of Testimony and Summary of Recommendations

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to respond to the Company's *Petition for Temporary and Permanent Rates* filed in this cause on June 11, 2024 ("Petition"), along with supporting testimony, and to provide recommendations to assist the Commission in its thorough and careful consideration of the Company's proposed rate increase, including the impact on customers. Specifically, my testimony addresses (i) the return on equity ("ROE") proposed by the Company, (ii) the proposed cost of service studies and revenue allocation, and (iii) the Company’s proposal to implement a Performance Based Ratemaking Plan (“PBR Plan”) as an alternative ratemaking mechanism.

Q. IN SETTING THE REVENUE REQUIREMENT AND ROE FOR THE COMPANY, SHOULD THE COMMISSION CONSIDER THE IMPACT OF THE ASSOCIATED RATE INCREASE ON BUSINESS CUSTOMERS?

A. Yes. Electricity is a significant operating cost for retailers such as Walmart. When electric rates increase, the increased cost to retailers can put pressure on consumer prices and on the other expenses required by a business to operate. The Commission should thoroughly and carefully consider the impact on customers in examining the requested revenue requirement and ROE, in addition to all other facets of this case, to ensure that any increase in the Company's rates is the minimum amount necessary to provide safe, adequate and reliable service, while also providing Eversource the opportunity to recover its reasonable and prudent costs and earn a reasonable return on its investment.

Q. PLEASE SUMMARIZE WALMART'S RECOMMENDATIONS TO THE COMMISSION.

A. Walmart's recommendations to the Commission are as follows:

(1) The Commission should thoroughly and carefully consider the impact on customers associated with the ROE requested by the Company, in addition to all other facets of this case, to ensure that any increase in the Company's rates reflects the minimum amount necessary to compensate the Company for adequate and reliable service, while also providing the Company an opportunity to earn a reasonable return for its shareholders.

(2) The Commission should closely examine the Company's proposed revenue requirement increase and the associated ROE in light of:

(a) The customer impact of the resulting revenue requirement increase as discussed below;

(b) The use of risk-reducing ratemaking structures such as the Company's proposed step increases in revenue requirement, which remove the risk of regulatory lag and rate case review for those costs, and alternative ratemaking such as the Company’s requested PBR Plan;

(c) The Company's currently approved ROE; and

(d) Recent ROEs approved in New Hampshire and other jurisdictions nationwide, which do not support the Company's requested ROE.

(3) Walmart does not take a position on the Company's proposed cost of service studies at this time. However, to the extent that alternative cost of service methodologies or modifications to the Company's methodology are proposed by other parties, Walmart reserves the right to address any such changes in accordance with the Commission's procedures in this cause.

(4) At the Company's proposed revenue requirement, Walmart does not oppose the Company's proposed revenue allocation.

(5) If the Commission determines that the appropriate revenue requirement is less than the revenue requirement proposed by the Company, the Commission should take steps to further reduce the interclass subsidies. Starting with the revenue allocation proposed by the Company, the Commission should apply 50 percent of the overall revenue reduction to those rate classes that are paying in excess of their cost-based levels, except

that in no event should a subsidizing rate class be moved to a subsidized position. The remaining 50 percent of the overall revenue reduction should be evenly applied to mitigate the proposed increases for all rate classes on an equal percentage basis.

(6) The Commission should reject the proposed PBR Plan as it does not align with the fundamental principles of public utility ratemaking, fails to produce just and reasonable rates, and does not serve the public interest.

Q. DOES THE FACT THAT YOU MAY NOT ADDRESS AN ISSUE OR POSITION ADVOCATED BY THE COMPANY INDICATE WALMART'S SUPPORT?

A. No. The fact that an issue is not addressed herein or in related filings should not be construed as an endorsement of, agreement with, or consent to any filed position.

III. Revenue Requirement and ROE

(A) Revenue Requirement and Requested ROE

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S PROPOSED REVENUE REQUIREMENT INCREASE IN THIS DOCKET?

A. My understanding is that the Company is proposing a total revenue increase of approximately $177.7 million based on a 12-month test year ending December 31, 2023 as updated by a December 2024 Cost of Service Update.[4] The Company also

[4] *See* Direct Testimony of Ashley N. Botelho and Yi-An Chen, *Permanent Rate Revenue-Requirement Analysis*, p. 8, line 21 and p. 9, line 15 to p. 10, line 2; *see* Attachment ES-REVREQ-1 (12/17/24 Update), Schedule ES-REVREQ-1, p. 1.

seeks to implement step adjustments for 2026 and 2027 similar to adjustments approved in its last base rate case, with some modifications, if the Company's request for approval of the PBR Plan is rejected by the Commission.[5]

Q. WHAT IS THE COMPANY'S PROPOSED ROE IN THIS DOCKET?

A. My understanding is that the Company proposes an ROE of 10.30 percent based on the range of 10.30 percent to 11.30 percent.[6] Company witness Rea calculated a weighted average cost of capital of 7.44 percent using the Company's five-quarter average pro forma capital structure as of December 31, 2024.[7] This calculation is based on a long-term debt cost of 4.10 percent and a capital structure consisting of 53.85 percent equity and 46.15 percent long-term debt.[8]

Q. IS WALMART CONCERNED THAT THE COMPANY'S ROE IS EXCESSIVE?

A. Yes. Walmart is concerned that the Company's proposed ROE of 10.30 percent is excessive, especially in light of:

(1) The customer impact of the resulting revenue requirement increase, as discussed below;

(2) The use of risk-reducing ratemaking structures such as the Company's proposed step increases in revenue requirement, which remove the risk of

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[5] *See* Direct Testimony of Douglas W. Foley, Robert S. Coates, Jr., and Douglas P. Horton, *Case Overview* ("Case Overview Testimony"), p. 84, lines 14-17.
[6] *See* Direct Testimony of Vincent V. Rea, *Cost of Capital*, p. 4, lines 4-10.
[7] *Id.* at p. 4, lines 14-19.
[8] *See* Attachment ES-REVREQ-1 (12/17/24 Update), Schedule ES-REVREQ-40, p. 1.

regulatory lag and rate case review for those costs, and alternative ratemaking such as the Company's requested PBR Plan;

(3) The Company's currently approved ROE; and

(4) Recent ROEs approved in New Hampshire and other jurisdictions nationwide, as discussed in more detail below, which do not support the Company's requested ROE.

(B) Recent ROEs Approved by the Commission

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S CURRENTLY APPROVED ROE?

A. My understanding is that the Company's currently approved ROE is 9.30 percent.[9]

Q. IS THE COMPANY'S PROPOSED ROE SIGNIFICANTLY HIGHER THAN THE ROEs APPROVED BY THE COMMISSION FROM 2022 TO PRESENT?

A. Yes. Since 2022, the Commission issued an Order with a stated ROE in Docket No. DE 21-030, the Unitil Energy Systems Inc. general rate case completed in 2022, in which the Commission awarded an ROE equal to 9.30 percent.[10] As such, the Company's proposed 10.30 percent ROE is counter to recent Commission actions regarding ROEs for other investor-owned electric utilities in New Hampshire.

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[9] *See Public Service Company of New Hampshire d/b/a Eversource Energy Petition for Permanent and Temporary Rates*, Docket No. DE 19-057, Order Approving Settlement and Permanent Rates (issued Dec. 15, 2020), pp. 14 and 19.

[10] *See* Exhibit LVP-2.

Q. HAVE YOU CALCULATED AN ESTIMATE OF THE IMPACT TO CUSTOMERS FROM THE COMPANY'S PROPOSED INCREASE IN ROE FROM 9.30 PERCENT TO 10.30 PERCENT?

A. Yes. The impact of the proposed increase in authorized ROE is an increase to the revenue requirement of approximately $13.7 million, or 7.69 percent of the rate increase requested by the Company.[11]

(C) National Utility Industry ROE Trends

Q. IS THE COMPANY'S PROPOSED ROE SIGNIFICANTLY HIGHER THAN THE ROEs APPROVED BY OTHER UTILITY REGULATORY COMMISSIONS IN 2022, 2023, AND 2024?

A. Yes. According to data from S&P Global Market Intelligence ("S&P Global"), a financial news and reporting company, the average of the 115 reported electric utility rate case ROEs authorized by commissions to investor-owned utilities in 2022, 2023, and 2024, is 9.62 percent.[12] The range of reported authorized ROEs for the period is 7.85 percent to 11.45 percent, and the median authorized ROE is 9.60 percent.[13] The average and median values are significantly below the Company's proposed ROE of 10.30 percent. As such, the Company's proposed 10.30 percent ROE is counter to broader electric industry trends.

[11] *See* Exhibit LVP-3.
[12] *See* Exhibit LVP-2.
[13] *See id.*

Q. SEVERAL OF THE REPORTED AUTHORIZED ROEs ARE FOR VERTICALLY INTEGRATED UTILITIES. WHAT IS THE AVERAGE AUTHORIZED ROE IN THE REPORTED GROUP FOR DISTRIBUTION-ONLY UTILITIES?

A. In the group reported by S&P Global, the average ROE for distribution only utilities authorized from 2022 through present is 9.29 percent.[14] The average ROE authorized for distribution only utilities in 2022 was 9.11 percent; in 2023, it was 9.24 percent; and in 2024 it was 9.53 percent.[15] As such, the Company's proposed 10.30 percent ROE is counter to broader electric industry trends. In fact, if approved by the Commission, the Company's requested 10.30 percent ROE would be the highest (out of 31 utilities) for distribution-only utilities since 2022 as shown in Figure 1 below.

[14] *See id.*
[15] *See id.*

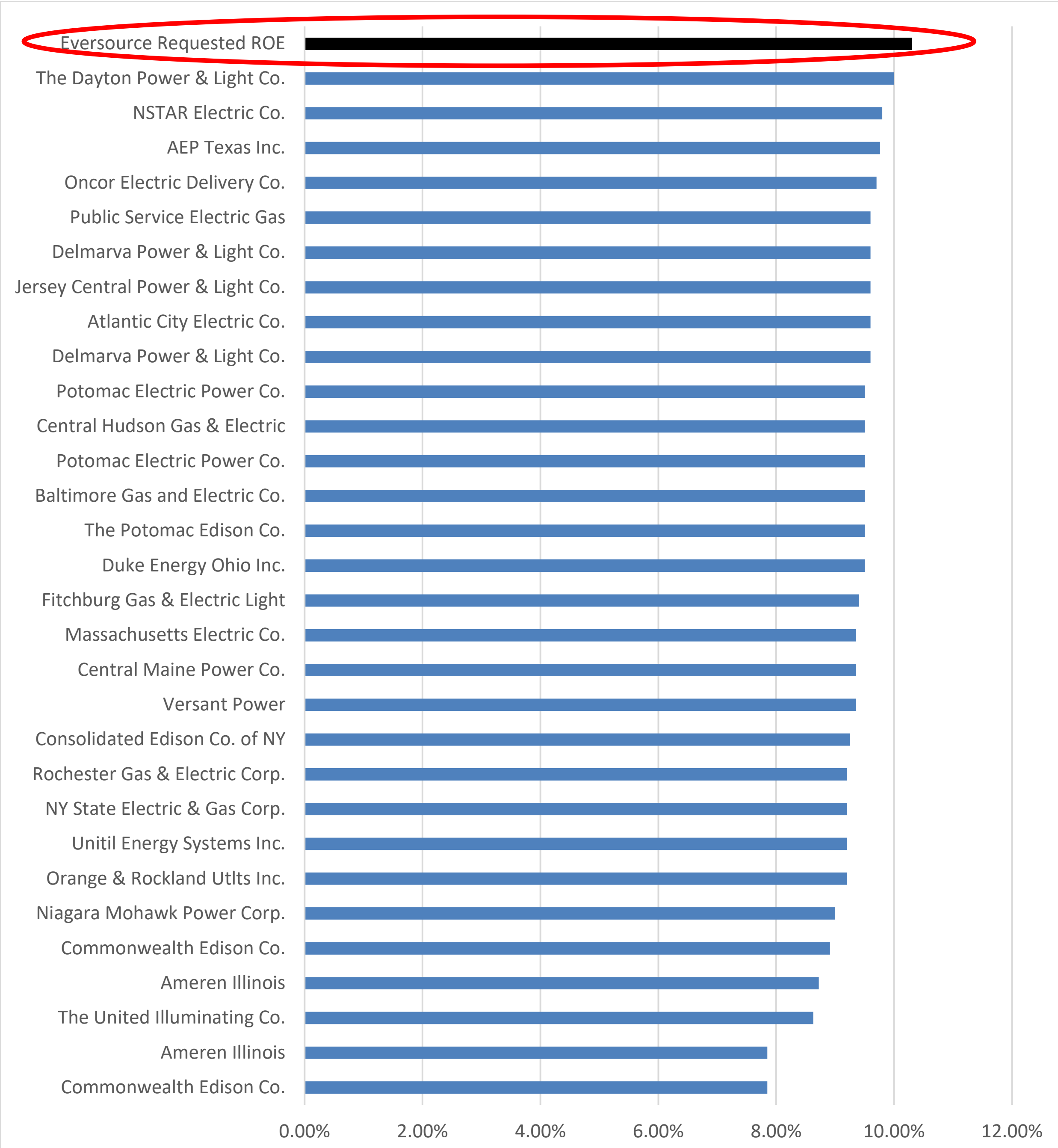

Figure 1. Eversource's Proposed ROE Versus Authorized ROEs for Distribution-Only Utilities, 2022 to present. Source: Attachment LVP-2.

Q. WHAT IS THE REVENUE REQUIREMENT IMPACT WERE THE COMMISSION TO APPROVE AN ROE FOR THE COMPANY EQUIVALENT TO 9.29 PERCENT, THE AVERAGE AUTHORIZED ROE NATIONWIDE IN 2022, 2023, AND 2024 FOR DISTRIBUTION-ONLY UTILITIES?

A. If the Commission were to approve an ROE for the Company of 9.29 percent, versus its proposed 10.30 percent ROE, it would result in a $13.8 million, or 7.76 percent, reduction in the Company's proposed revenue requirement.[16]

Q. IS WALMART RECOMMENDING THAT THE COMMISSION BE BOUND BY ROEs AUTHORIZED BY OTHER STATE REGULATORY COMMISSIONS?

A. No. Decisions of other state regulatory commissions are not binding on the Commission. Additionally, each state regulatory commission considers the specific circumstances of each case in its determination of the proper ROE. Walmart is providing this information to illustrate a national customer perspective on industry trends in authorized ROE.

Q. WHAT IS YOUR RECOMMENDATION TO THE COMMISSIONREGARDING THE COMPANY'S PROPOSED ROE?

A. The Commission should thoroughly and carefully consider the impact on customers in examining the requested ROE, in addition to all other facets of this case, to ensure that any increase in the Company's rates reflects the minimum amount necessary to

[16] *See* Exhibit LVP-4.

compensate the Company for adequate and reliable service, while also providing the Company an opportunity to earn a reasonable return for its shareholders.

Specifically, the Commission should closely examine the Company's proposed revenue requirement increase and the associated ROE in light of:

(1) The customer impact of the resulting revenue requirement;

(2) The use of risk-reducing ratemaking structures such as the Company's proposed step increases in revenue requirement, which remove the risk of regulatory lag and rate case review for those costs, and alternative ratemaking such as the Company's requested PBR Plan;

(3) The Company's currently approved ROE; and

(4) Recent ROEs approved in New Hampshire and other jurisdictions nationwide, which do not support the Company's requested ROE.

IV. Cost of Service, Revenue Allocation, and Rate Design

(A) Cost of Service

Q. GENERALLY, WHAT IS WALMART'S POSITION ON SETTING RATES BASED ON THE UTILITY'S COST OF SERVICE?

A. Walmart advocates that rates be set based on the utility's cost of service for each rate class. This produces equitable rates that reflect cost causation, sends proper price signals, and minimizes price distortions.

Q. DOES WALMART TAKE A POSITION ON THE COMPANY'S PROPOSED COST OF SERVICE STUDIES AT THIS TIME?

A. No. However, to the extent that alternative cost of service methodologies or modifications to the Company's methodology are proposed by other parties, Walmart reserves the right to address any such changes in accordance with the Commission's procedures in this docket.

(B) Revenue Allocation

Q. WHAT IS YOUR UNDERSTANDING OF THE COMPANY'S COST OF SERVICE STUDIES AND HOW THEY WERE USED BY THE COMPANY TO SET RATES?

A. My understanding is that the Company relied on its allocated costs of service study ("ACOSS") for allocating the revenue requirement to each customer class, but used its marginal cost of service study ("MCOSS") for designing rates.[17]

Q. WHAT ARE THE RESULTS OF THE COMPANY'S ACOSS AND MCOSS AS FAR AS ALIGNING CLASSES WITH COST OF SERVICE?

A. My understanding is that both the ACOSS and MCOSS indicate that residential class rates are not aligned with cost causation.[18] Instead, the analysis suggests that residential rates should increase by significantly more than the overall distribution revenue requirement.[19] This is because, with the exception of the residential

[17] *See* Direct Testimony of Amparo Nieto, *Marginal Cost of Service Study and Rate Design*, p. 12, lines 12-13.
[18] *See id.* at p. 16, lines 6-7.
[19] *See id.* at p. 16, lines 10-12.

standard and residential TOD rates, as well as the residential LCS and Rate B, all other customer classes are currently paying more than their allocated costs and their proportional share of marginal costs.[20]

Q. DID THE COMPANY SET RATES AT ITS COST OF SERVICE LEVELS?

A. No, it did not. The Company primarily used the fully allocated total class revenue requirements from the ACOSS to allocate revenue to each rate class, with adjustments to mitigate bill impacts.[21] Initially, class distribution revenue under current rates was increased uniformly to match the permanent distribution revenue requirement, which was then compared to the ACOSS-recommended class revenue requirements.[22] The Company then adjusted allocations to move class revenue closer to cost-based levels while taking into consideration customer bill impacts and applying varying levels of gradualism.[23]

Q. DOES WALMART OBJECT TO THE COMPANY'S PROPOSED REVENUE ALLOCATION?

A. The Company states that its long-term goal is to continue to move each classer closer to their cost of service.[24] Walmart supports the Company's progress towards cost based rates and does not object to the Company's proposed class revenue allocation at the Company's proposed revenue requirement. However, as a way to move classes closer to cost of service without resulting in an increase to any single

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[20] *See id.* at p. 16, line 12 to p. 17, line 2.
[21] *See* Direct Testimony of Edward A. David, *Permanent Rates and Tariff Changes*, p. 5, lines 7-10.
[22] *See id.* at p. 5, lines 10-14.
[23] *See id.* at p. 5, lines 14-23.
[24] *See id.* at p. 6, lines 3-5.

rate class greater than that proposed by the Company, Walmart provides additional recommendations as set forth below.

Q. WHAT IS WALMART'S REVENUE ALLOCATION RECOMMENDATION TO THE COMMISSION AT THE COMPANY'S PROPOSED REVENUE REQUIREMENT?

A. At the Company's proposed revenue requirement, Walmart does not oppose the Company's proposed revenue allocation.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION IF THE COMMISSION DETERMINES THAT A LOWER REVENUE REQUIREMENT IS APPROPRIATE?

A. If the Commission determines that the appropriate revenue requirement is less than the revenue requirement proposed by the Company, the Commission should take steps to further reduce the interclass subsidies. Starting with the revenue allocation proposed by the Company, the Commission should apply 50 percent of the overall revenue reduction to those rate classes who are paying in excess to their cost-based levels, except that in no event should a subsidizing rate class be moved to a subsidized position. The remaining 50 percent of the overall revenue reduction should be evenly applied to mitigate the proposed increases for all rate classes on an equal percentage basis.

V. Performance Based Ratemaking

(A) Structure of Performance Based Ratemaking Plan

Q. IS THE COMPANY PROPOSING A NEW RATEMAKING MECHANISM IN THIS DOCKET?

A. Yes, it is. The Company is seeking approval of a four-year PBR Plan with an annual rate adjustment based on a Commission-approved revenue cap formula.[25] The plan includes a capital-support mechanism, the "K-bar," as an alternative to recurring base-rate filings and annual step adjustments to support necessary capital investments between rate cases.[26]

Q. WHAT IS THE STRUCTURE OF THE PROPOSED PBR PLAN?

A. It is my understanding that the Company's proposed PBR Plan is structured to include a revenue cap formula to adjust rates each year over a four-year period and will include the following components:

(1) Two revenue mechanisms, I-X formula and K-bar[27], which I will discuss in more detail below;

(2) A "stretch factor" that is described as a consumer dividend of 15 basis points when inflation exceeds two percent, which would reduce the annual

[25] *See* Case Overview Testimony, p. 30, line 17 to p. 31, line 3.
[26] *See id.*
[27] *See id.* at p. 46, lines 9-12 and p. 52, lines 17-18.

Performance Based Ratemaking Adjustment percentage increase applied each year;[28]

(3) An earnings-sharing mechanism under which any distribution return on ROE exceeding the authorized level by more than 25 basis points would be shared, with 75 percent allocated to customers and 25 percent to the Company;[29]

(4) Additional rate adjustments for what the Company is defining as "exogenous costs" that would include cost increases or decreases that the Company claims are unforeseen and outside of its control and not accounted for in other revenue calculations;[30] and

(5) Various performance metrics to track progress on its PBR plan commitments, including metrics to support service quality, incentivize cost-efficient investments, and enhance reliability and resiliency.[31] Failure to meet baseline standards would result in financial penalties credited to customers in the following year.[32]

Q. HOW IS THE COMPANY PROPOSING TO SET THE REVENUE REQUIREMENT FOR ITS PBR PLAN?

A. It is my understanding that the Company is proposing to set the revenue requirement for its PBR Plan based on a revenue cap formula, called the I-X

[28] *See id.* at p. 61, line 16 to p. 62, line 1.
[29] *See id.* at p. 64, lines 10-13.
[30] *See id.* at p. 67, lines 7-12.
[31] *See id.* at p. 70, lines 8-18.
[32] *See id.*

Formula, where I measures economy-wide output inflation, being the Gross Domestic Product – Price Index, and X measures expected industry-wide productivity.[33] In essence, as the Company explains, the PBR Plan is not designed as a cost recovery mechanism and will not track the Company's specific cost of service or its components.[34] Instead, it is proposed to align with industry cost trends and provide the Company with a financial allowance to support its utility operations.[35]

Q. ARE THERE ANY OTHER COMPONENTS OF THE PBR PLAN THAT WOULD IMPACT THE PROPOSED REVENUE REQUIREMENT?

A. Yes, it is my understanding that, to provide additional revenue for capital investments beyond what is covered by the I-X Formula, the Company is also proposing to implement a "K-bar" mechanism that would be based on a rolling three-year average of historical capital additions, adjusted by the I-X formula with X set to zero.[36]

Q. WOULD THE COMPANY BE REQUIRED AS PART OF ITS PROPOSED PBR PLAN TO FILE ANNUAL REPORTS?

A. Yes, it is my understanding that as part of the PBR Plan the Company would file by April 1st of each year an "Annual PBR Plan Compliance Filing" with the New Hampshire Department of Energy, with new rates taking effect on August 1st.[37] The

[33] *See id.* at p. 46, lines 9-12.
[34] *See id.* at p. 39, lines 13-19.
[35] *See id.*
[36] *See id.* at p. 50, lines 17-20.
[37] *See id.* at p. 71, lines 5-7.

filing will include calculations for the I-X Formula and K-bar, the proposed new rate, an earnings-sharing computation, bill impacts by rate class, and any exogenous cost recovery requests.[38] The filing will also report on completed capital additions from the prior year, with the first compliance filing due by May 15, 2026 and rates effective August 1, 2026.[39]

Q. IS THE COMPANY PROPOSING THAT THE PBR PLAN INCLUDE AN OPTION TO EXTEND THE PLAN BEYOND IS INITIAL FOUR-YEAR TERM?

A. Yes, it is. The proposed PBR Plan would also allow the Company, no later than December 1, 2028, to request an extension of the PBR Plan for an additional term of up to four years, instead of filing a new base-rate petition.[40] In fact, the Company states that it is committed to staying under the PBR Plan as long as a "fair balance" is maintained between the Company and customers.[41]

Q. WHAT JUSTIFICATION DOES THE COMPANY PROVIDE FOR PROPOSING THE PBR PLAN?

A. The Company asserts that its proposed PBR Plan is the optimal solution to meet the distribution system's needs while ensuring rate stability and performance accountability.[42] According to the Company, the plan aims to decrease the frequency and impact of base-rate proceedings by providing long-term cost control,

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[38] *See id.* at p. 71, lines 8-13.
[39] *See id.* at p. 71, lines 8-18.
[40] *See id.* at p. 72, lines 11-13.
[41] *See id.* at p. 72, lines 7-10 and p. 73, lines 1-4.
[42] *See id.* at p. 36, lines 15-17.

mitigating bill impacts, and supporting capital investments.[43] Additional claimed benefits include preventing rate shock, reducing administrative burdens for stakeholders, enhancing cost control, incentivizing performance, and maintaining service reliability.[44] The Company further contends that, compared to traditional rate mechanisms, the PBR Plan will result in smaller, more predictable rate adjustments, impose financial penalties for inadequate performance, and create stronger incentives to achieve cost efficiencies.[45]

(B) Walmart's Response to the PBR Plan

Q. IS WALMART CONCERNED WITH THE COMPANY'S PROPOSAL TO INTRODUCE THE PBR PLAN?

A. Yes, it is. Walmart has significant concerns regarding the Company's proposal to implement a mechanism that would effectively guarantee the Company its authorized ROE for at least four years and allow the Company to automatically adjust rates without the level of scrutiny typically provided through the Commission's traditional regulatory oversight processes. Additionally, Walmart is concerned that the proposed PBR Plan is based on industry-wide trends rather than the Company's actual costs, which are typically determined through a comprehensive cost-of-service study. This deviation from established regulatory

[43] *See id.* at p. 36, line 17 to p. 37, line 7.
[44] *See id.* at p. 37, line 8 to p. 38, line 19.
[45] *See id.* at p. 38, lines 3-11.

practices raises questions about the appropriateness of the plan in ensuring just and reasonable rates for customers while maintaining transparency and accountability.

Q. BASED ON WALMART'S EXPERIENCE WITH SIMILAR PLANS IN OTHER STATES, WHAT ARE WALMART'S SPECIFIC CONCERNS WITH THE PBR PLAN?

A. First, it is Walmart's experience in other states with some type of formula rate or performance-based mechanism that customer bills increase year-after-year at or near the maximum allowed under the particular PBR structure. Walmart anticipates that this same trend would hold true for customers in Eversource's service territory if its PBR Plan is approved by the Commission. Second, when considering the structure of the PBR Plan as proposed, it seems that the Company is essentially fixing the elements of a general rate case that are generally contested, like ROE, capital structure, and depreciation rates, and instead providing itself with an "allowance" that is divorced from its actual costs and performance and based on industry-wide trends.

Q. WHY ARE COST BASED RATES BETTER FOR CUSTOMERS THAN A PBR PLAN LIKE THE ONE PROPOSED BY THE COMPANY?

A. Cost-based rates are generally better for customers than a PBR plan like the one proposed by the Company because they ensure that rates are directly tied to the utility's actual expenses and investment needs, rather than industry-wide trends. Specifically, cost-based ratemaking requires a thorough review of the utility's financial records, ensuring that only prudent and necessary expenses are recovered through rates. This level of scrutiny helps protect customers from overpaying for services and ensures that the utility operates efficiently.

Second, rates set through traditional cost-of-service studies are based on the actual costs incurred by the utility to provide service, ensuring that customers only pay for what is necessary to maintain safe and reliable operations. In contrast, the proposed PBR plan could allow the Company to earn revenues based on broader industry trends rather than its actual financial needs.

Lastly, under a cost-based approach, the Commission maintains direct oversight and can adjust rates based on changes in costs, economic conditions, and operational efficiency. The proposed PBR Plan, however, reduces this oversight, potentially leading to misalignment between rates and actual cost conditions.

Q. WHAT IS WALMART'S RECOMMENDATION TO THE COMMISSION REGARDING THE PROPOSED PBR PLAN?

A. Because cost-based rates offer a more accurate, fair, and transparent framework - ensuring that customers pay only for the actual costs necessary to provide reliable service while preserving essential regulatory oversight and customer protections - the Commission should reject the proposed PBR Plan as it does not align with the fundamental principles of public utility ratemaking, fails to produce just and reasonable rates, and does not serve the public interest.

Q. DOES THIS CONCLUDE YOUR TESTIMONY?

A. Yes.

CERTIFICATION OF SERVICE

I certify that on the 24th day of January 2025, a true and accurate copy of this document was served via electronic mail to the persons shown in the attached service list in this docket pursuant to N.H. Admin. Rules Puc 203.17.

/s/ Melissa M. Horne

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