STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 24-070

REQUEST FOR CHANGE IN DISTRIBUTION RATES

REBUTTAL TESTIMONY OF

Edward A. Davis

Rates

On behalf of Public Service Company of New Hampshire
d/b/a Eversource Energy

March 10, 2025

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I. INTRODUCTION

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

A. My name is Edward A. Davis. I am employed by Eversource Energy Service Company as the Director of Rates. In this position, I provide support to Public Service Company of New Hampshire, d/b/a Eversource Energy ("PSNH" or the "Company"). My business address is 107 Selden Street, Berlin, Connecticut.

Q. What are your principal responsibilities in this position?

A. As the Director of Rates, I am responsible for activities related to rate design, cost of service and rates administration for all electric and gas subsidiaries of Eversource Energy, including PSNH.

Q. Please describe your educational and professional background.

A. I hold a Bachelor of Science degree in Electrical Engineering from University of Hartford and a Master of Business Administration degree from the University of Connecticut. I joined Northeast Utilities in 1979 and have held various positions in the areas of consumer economics, engineering and operations, wholesale and retail marketing and rate design, regulation and administration.

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

A. Yes.

II. PURPOSE

Q. What is the purpose of your rebuttal testimony?

A. The purpose of my rebuttal testimony is to respond to the direct testimonies of the Department of Energy's (DOE) consultant, Mr. Michael Clark, the Office of Consumer Advocate's (OCA) consultant, Caroline Palmer, and AARP consultant, Bradley Cebulko. My testimony addresses aspects of these testimonies related to billed sales adjustments, cost allocation and residential rate design. Concerns associated with the allocated cost of service and marginal cost of service studies, and also with residential rate design discussed in those testimonies are addressed in the rebuttal testimony of the Company's consultant, Amparo Nieto.

III. BILLED SALES ADJUSTMENTS

Q. Do you agree with DOE's recommendation that the Company should be accounting for weather normalization?

A. No. The Company does not normalize for weather, and the analysis presented to support DOE's recommendation to adjust billed sales due to weather is flawed and overstates the extent of such an adjustment, and therefore should not be considered for inclusion into rates. By extension, the proposed adjustment to operating income associated with this adjustment recommended by the DOE should also be disregarded.

Q. Please expand on your concern regarding adjusting test year billing determinants to account for weather normalization.

A. The DOE's witness has recommended an adjustment to billed sales that is neither required nor appropriate. There are many factors that can drive changes to billed sales beyond weather patterns. In setting rates and during the subsequent rate year, billing determinants including those that are usage based are assumed to fluctuate annually. Factors attributable to such fluctuations include customer growth, weather conditions, increases and variation of customer self-supply, installation of energy efficiency measures, energy price response and other economic factors.

As noted above and acknowledged by Mr. Clark, weather normalization of sales is not required or typically performed when developing proforma adjustments for electric distribution companies in New Hampshire and was not done by the Company in this filing. And I don't think that Mr. Clark provides sufficient reasoning or justification for his analysis and recommendation. In evaluating what the impact of weather normalization might be, the Company notes that Mr. Clark's analysis relies on kWh sales and daily temperature data for a 10-year period, compared with a longer period (e.g., 30 years of data) more widely used as a standard. His analysis appears to have been applied to total sales with no further distinction of what aspect or portion of rates, billing determinants, or sales is weather-sensitive, in any of the classes evaluated. Moreover, there is no indication of either the relevance or extent of the weather-related effect on sales compared with many other factors as noted above. A more detailed review and evaluation of the calculations and methodology applied may identify additional concerns. The Company is very concerned over the shortcomings of this analysis, and the potential for significantly overstating the weather effect for normalization purposes, which could inappropriately skew rates.

IV. RESIDENTIAL CUSTOMER CHARGE, COST ALLOCATION AND RATE DESIGN

Q. What concerns do you with recommendations by the OCCA, AARP and DOE for the residential customer charge, and the implications to rate design for other rate components?

A. Witnesses for OCA and AARP have recommended reducing the proposed Rate R customer charge to the temporary rate level currently in effect, and claiming the proposed charge is greater than customer costs (relative to the Company's MCOS), counter to energy efficiency policy and would have an adverse impact to low-use and low-income customers. DOE's witness has recommended increasing the proposed optional residential time-of-day (TOD) Rate R-OTOD 2 customer charge, as informed by the Company's MCOS, and to pursue significant structural changes and redesign of other TOD rate elements. The OCA and AARP witnesses argue that the average unit cost of a narrow set of costs under an alternate form of allocated cost study should be the basis upon which to inform the customer charge, which leaves all other distribution costs to be allocated for recovery via a volumetric rate design.

Q. What aspects of the Company's cost-of-service analyses are relevant for informing the residential fixed customer charge?

A. The Company conducted both an allocated distribution cost of service study (ACOS) and marginal distribution cost of service study (MCOS), as submitted with its filing with the Commission. These studies utilize the same methodologies employed and accepted by the Commission in the Company's previous base distribution rate case (Docket No. DE 19-057). The ACOS was relied upon as a guide in setting overall class revenue requirements and combined rate design revenue targets. The MCOS was relied upon for setting the residential customer charges, which in turn determined the portion of total class revenue requirement associated with class customer charges. From this perspective, the results of the Company's ACOS and issues raised about methodologies employed in that study have little bearing on the customer charge.

Q. What is the basis for setting the residential fixed customer charge?

A. For the residential rate classes, the relevant cost components of the MCOS are considered along with a number of rate principles, relevant policy and tariff considerations and bill impacts. With respect to the cost basis, the marginal Customer rate and marginal Local Facilities rate (specified in the MCOS) are recognized as customer-related costs. As a minimum, the marginal Customer cost effectively provides a target “floor” for setting the fixed customer charge. Not only does this provide a specific marginal cost of serving an individual customer, aligning the customer charge with the marginal Customer cost (and the Local Facilities cost) is important for assuring a more efficient rate is set for the volumetric rate component of distribution service. To the extent the customer charge is set below the combined marginal Customer and marginal Local Facilities rate levels, the recovery of such costs is shifted to and designed into the volumetric rate.

Recognizing the MCOS still serves as a guide, the Company supports and has proposed to increase the Rate R fixed customer charge to $19.81 (a small amount higher than only the MCOS Customer rate but significantly less than the combined MCOS Customer and MCOS Local Facilities rates). To provide a degree of parity between changes to the regular Rate R and optional Rate R-OTOD-2 residential rates, the Company applied the same percentage change in the Rate R customer charge to the Rate R-OTOD 2 customer charge, bringing the Rate R-OTOD-2 fixed customer charge to $23.67.

Q. How do other considerations factor into the cost basis for setting the residential customer charge?

A. For both of these residential rates, the customer charge is close to the marginal Customer rate, while still well below the combined Customer and Local Facilities rate. Increasing these rates in this manner, rather than retaining current, temporary level customer charges ensures more efficient and appropriate pricing for the residential volumetric rates aligned with the cost to serve those customers. Accordingly, the argument that the resulting volumetric rates runs counter to energy efficiency policy is unfounded.

Regarding application of a uniform percent change, it is important to observe that this was applied as an initial step to increase revenue requirements in the same proportion as are approved for customer and volumetric or demand-based rates and revenues in current rates. This result, however, is further evaluated to determine how much more or less to move the total revenue requirement to achieve the desired rate of return, and to strike a balance among other considerations. For the customer charge, an evaluation of customer costs using the MCOS is performed. For the residential class, any portion of costs not recovered through the customer charge is allocated for recovery through the volumetric rate. To achieve an economically efficient rate design, the customer charge is based as closely as reasonable on the MCOS, and those costs that are more appropriate in the customer charge are placed in that component of the rate. Ultimately, it is not the initial overall percentage increase, but rather the determination of an appropriate customer charge to achieve more economically efficient volumetric rates, and the overall revenue requirement set at a level to achieve the overall rate of return while also balancing other considerations, that forms the basis for the proposed rate design of the residential classes. The fixed customer charge is one of many rate components, and should be viewed in total context. The Company is sensitive to the impacts of its proposed rates to its customers, including residential customers. While the cost studies informed setting a higher customer charge, consideration also is given for the range of customers within a class, and of the variation of usage of different customers throughout the year. Efficient rates remain important for sending appropriate price signals, and for aligning with energy efficiency goals. The proposed residential customer charge does not undermine those goals.

Regarding low usage customers, the fact that certain customers may be lower use customers does make the fixed customer charge a higher percentage of their bills. But this dynamic does not in itself make the level of the customer charge any less valid or appropriate. The Company designed the customer charge based on the costs appropriate for allocation in that charge, rather than the volumetric charge. For customers that have need for assistance with their electric bill, assistance is available through the Electric Assistance Program. Discounts to these customers' bills apply to both customer charge and volumetric related charges and thereby reduce the concern over the level of customer charge or amount of fixed cost revenue shifted to the volumetric rate. The Company has proposed residential customer charges that seek to balance all of these concerns, and continues to support its proposed residential customer charges.

Q. Is the Company proposing any structural changes to its rates?

A. No. The Company's proposed rate changes apply to the allocation of distribution costs and corresponding changes to distribution rates—the rate structures and designs all remain the same. The Company is not proposing any structural changes to distribution rates, or to any other component of service. Regarding changes to the time-varying or time-of-day ("TOD") rate design proposed by DOE witness Clark, it is very important to highlight that the Company just recently updated that rate design in Docket No. DE 21-119 where the

Company reached a settlement with the DOE on that updated design. After an extensive period and engagement with DOE and other stakeholders and substantial analysis and application of specified rate design criteria, the Company redesigned its residential TOD rate and developed and implemented the new residential TOD rate, R-OTOD 2, submitted via a settlement agreement and approved by the Commission in Order No. 26,648.

Separately, as a result of an investigation initiated by the Commission, and a targeted focus on new electric vehicle ("EV") TOD rate design, the Company over many months developed and proposed new residential and commercial EV time-of-use ("TOU") rates in Docket No. DE 20-170, which lasted over two years. These rates were ultimately not approved by the Commission. Some of the design characteristics advocated by Mr. Clark were reflected among the final proposed rate designs that were ultimately rejected in Docket No. DE 20-170. However, to reiterate, in the instant rate case the Company has not proposed structural changes or introduced new rate designs. The primary focus of the Company's proposed rates is to revise rates to incorporate changes to its cost of service and revenue requirements to account for a revenue deficit the Company faces. While neither agreeing or disagreeing with the concepts and principles advocated by Mr. Clark, it is untimely to propose structural changes at this time. Consideration of the parameters discussed by Mr. Clark in his testimony, along with other considerations including those informed by distribution-related analyses conducted by witness Nieto in this case may be instrumental in future rate design considerations. Implications beyond only distribution rate design to other components of rates would need to be factored into such future considerations. Again, the Company is not opposed to exploring rate design updates, but such consideration should be done in a dedicated proceeding and given the consideration such a complex issue is due.

V. CONCLUSION

Q. Does this conclude your testimony?

A. Yes, it does.