THE STATE OF NEW HAMPSHIRE

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

PREPARED TESTIMONY OF CHRISTOPHER J. GOULDING

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY

2017 RELIABILITY ENHANCMENT PROGRAM RECONCILIATION AND REQUEST FOR PROGRAM CONTINUATION

Docket No. DE 09-035

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

A. My name is Christopher J. Goulding. 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. Have you previously testified before the Commission?

A. Yes, I have.

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 Energy Service ("ES") rate, Stranded Cost Recovery Charge ("SCRC"), Transmission Cost Adjustment Mechanism ("TCAM"), and Alternate Default Energy ("ADE") rate.

Q. What is the purpose of your testimony?

A. The purpose of my testimony is: (1) to provide a detailed reconciliation of capital and O&M expenses currently included in rates for the actual and forecasted Reliability Enhancement Program ("REP") investments for the timeframe of April 1, 2016 through June 30, 2017; (2) to seek approval of a 24 month continuation of the REP covering the period from July 1, 2017 to June 30, 2019; and (3) approval of redirecting the funding associated with the fully amortized 2008 Ice Storm and 66-Month Medicare amortizations to the REP.

Q. What is the overall average customer distribution rate change necessary to continue delivering the benefits of the investments provided under the REP to Eversource's customers?

A. Under the proposal set forth by the Company in this filing to reconcile current REP investments, and the investments over the next 24 months, Eversource is requesting no increase to the current Distribution rates for effect from July 1, 2017 through June 30, 2019 attributable to the REP.

Q. What are the benefits that customers have been realizing due to the REP?

A. The REP was initially developed as part of the settlement in the PSNH rate case in DE 06-028. Please refer to the testimony of Lee Lajoie and Brian Dickie for a detailed description of the benefits that customers are realizing as a result of the REP.

Q. Could you explain how the Company would continue the REP without changing its rates?

A. As explained below in further detail, there are a two items currently being amortized in distribution rates that are, or will be, fully amortized by July 1, 2017. The two items are the 2008 Ice Storm amortization and the Medicare amortization. By redirecting the revenue streams from these amortizations to fund the continuation of the REP, as proposed by the Company, customers would not see a distribution rate increase as a result of the proposed 24 month extension of the REP.

Q. Can you please explain the 2008 Ice Storm amortization?

A. Yes. The costs associated with the 2008 Ice Storm were amortized over 7 years beginning in July 2010 consistent with the settlement agreement in this docket as approved in Order No. 25,123 (June 28, 2010). As of July 2017 the Ice Storm costs will be fully amortized. Rather than end the funding presently supporting the recovery of costs attributable to this storm, the Company is proposing to continue collecting the monthly amortization amount attributable to the recovery of costs related to this storm, but redirect that funding to support REP activities.

Q. Can you please explain the Medicare amortization?

A. Yes. In March of 2010, the Health Care Reform Act was placed into law and terminated a Medicare subsidy credit. In March 2011, to address various changes in federal law Eversource filed a request to amend its rates consistent with the exogenous events provision in the settlement agreement approved in Order No. 25,123, and included in that request was an adjustment to Eversource's rates to account for the end of the Medicare credit. The Commission docketed that request as Docket No. DE 11-070. By Order No. 25,238 (June 23, 2011), the Commission approved the rate adjustment and ordered that Eversource amortize the cost related to the impact of termination of the Medicare subsidy over 66 months effective July 2011. As of December 31, 2016, this item has been fully amortized. As with the 2008 Ice Storm amortization, rather than end the funding presently supporting the recovery of the impact from the termination of the Medicare subsidy, the Company is proposing to continue collecting the monthly amortization amount attributable to recovery of this item, but redirect the funding to support REP activities.

Q. What is the revenue level currently included in distribution rates for these two amortizations?

A. The annual amortization for the 2008 Ice Storm is $6.264 million and the annual amortization associated with the termination of the Medicare subsidy is $1.333 million.

Q. Would redirecting those funds provide enough money to support continuation of the REP for the next 24 months as the Company proposes?

A. The revenue streams from the two items I just discussed would result in approximately $15.860 million of funding over the next 24 months beginning July 2017; the estimated funding necessary to continue the REP for that same time period is approximately $15.858 million. Thus, the funding stream would nearly exactly match the costs, and would allow the REP to continue without making an adjustment to customers' rates.

Q. Please describe the detailed support for the reconciliation of the REP investments for actual and forecasted investments through June 30, 2017 and the revenue requirement associated with the proposed investments for the 24 months ended June 30, 2019.

A. Submitted with my testimony are a series of attachments explaining the revenues and expenses. Attachment CJG-1, page 1, provides a summary of the forecasted revenue requirements associated with the July 2017 to June 2018, and July 2018 to June 2019, periods, along with the forecasted June 30, 2017 carryover amounts. It also includes the "headroom" in rates associated with the ending of the amortization associated with the two items mentioned above. The forecasted revenue requirements includes the operations and maintenance spending, the depreciation expense and the return associated with the actual and forecasted REP investments from July 1, 2017 through June 30, 2018, and July 1, 2018 through June 30, 2019. Pages 2 through 5 provide a breakdown of the REP capital additions for 2016, 2017, 2018 and 2019 by month, as well as the associated accumulated depreciation, and accumulated deferred income taxes, along with the return. Pages 6 through 9 provide the calculation of the book depreciation for the REP capital additions taking into account the month the additions were placed in service. Pages 10 through 16 calculate the tax depreciation by investment year and incorporate the impact of bonus depreciation on the respective year.

Page 17 provides the calculation for the accumulated deferred income taxes ("ADIT") due to the timing issue of the recognition of book depreciation versus tax depreciation. The ADIT is used to reduce the rate base shown on pages 2 through 5 of Attachment CJG-1. Page 18 provides the rate of return based on the Company's current capital structure and weighted average cost of debt, along with the allowed ROE per the Company's last rate case. Pages 19 and 20 provide the reconciliation of actual operations and maintenance spending, depreciation expense, return associated with the actual REP investments for 2016 and 2017, with the revenue level included in rates for the REP.

Q. Please describe how the forecasted Operations and Maintenance expense and Capital investment have been included in Attachment CJG-1.

A. The operations and maintenance expense of $4.920 million annually for July 2017 to June 2019 has been included as part of the revenue requirement calculation on Line 1 of Page 1 of Attachment CJG-1. The budgeted capital spending of $39.0 million annually for July 2017 to June 2019 has been included in the calculations on Pages 4 and 5 of Attachment CJG-1. Both of these amounts are in line with to the July 2015 to June 2017 investment levels. A more detailed breakdown of the budgeted capital spending has been provided on page 4 and 5 of Attachment CJG-2.

Q. Please explain Attachment CJG-2.

A. Attachment CJG-2 page 1 provides the final reconciliation of REP investment placed in service for the 12 months ended June 30, 2016. Attachment CJG-2 page 2 provides the reconciliation of REP investments placed in service for the 9 months ended March 31, 2017. Attachment CJG-2 page 3 provides the forecast of REP investments by account to be placed in service for the remaining three months of program year 2 of the REP. Attachment CJG-2 page 4 and page 5 provide the budgets covering the 2 year continuation of the REP for 12 months ended June 30, 2018 and June 30, 2019.

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

A. Yes. Due to the proposed investments to be made under the extension of the REP, Eversource requests approval of the proposed continuation of the REP and associated funding by Wednesday, June 28.

Q. Does this conclude your testimony?

A. Yes, it does.