

Summary of Public Service Recommendations and Witness Support in Direct Testimony

Recommendation	Witness Support
Test Year and Overall Request	
<p>1. Approve an overall revenue requirement for Public Service’s Electric department of \$2,452.7 million, which results in a base rate revenue change of \$312.2 million over adjusted current base rate revenue.</p> <p style="padding-left: 40px;">a) Recognizing the effects of transferring recovery of certain items to base rates from the TCA and PCCA, the Company is requesting a net increase in overall base rate revenue of \$262.3 million.</p> <p style="padding-left: 40px;">b) The Test Year revenue requirement for the year ended December 31, 2023, is calculated based on capital investments for 2022-2023 and the anticipated capital structure and revenues through December 31, 2023, and actual operations and maintenance (“O&M”) expense incurred for the 12 months ending June 30, 2022, with individual changes and inflationary impacts to present a representative test year for the period rates will be in effect.</p>	<p>Steven Berman provides ratemaking policy discussion related to selection of the test year, rate requests, and customer protections.</p> <p>Arthur Freitas supports overall revenue requirements calculations, provides the cost of service study, and supports a 13-month average rate base methodology.</p> <p>See remainder of attachments for witnesses supporting capital, O&M, revenues, and cost of capital.</p>
Cost of Capital	
<p>2. Approve an overall weighted average cost of capital (“WACC”) of 7.45 percent, based on an ROE of 10.25 percent and the Company’s actual 2023 thirteen-month average capital structure, which will be composed of:</p> <p style="padding-left: 40px;">a) 55.70 percent equity, 42.37 percent long-term debt, and 1.93 percent short-term debt;</p> <p style="padding-left: 40px;">b) cost of long-term debt of 3.94 percent; and</p> <p style="padding-left: 40px;">c) cost of short-term debt of 3.81 percent.</p>	<p>Paul Johnson presents and supports the capital structure for calendar year 2023, the Company’s cost of long-term and short-term debt; and the recommended WACC.</p> <p>Ann Bulkley presents and supports the Company’s requested ROE and provides an assessment of the reasonableness of the proposed capital structure to be used for ratemaking purposes.</p>
Sales Forecast and Revenues	
<p>3. Approve the Company’s electric sales forecast, customer counts, and peak demand forecast for the Test Year.</p>	<p>John Goodenough presents and supports the Company’s sales forecast and related components of the Company’s revenue forecast for the Test Year.</p>

Capital Additions	
<p>4. Include in rate base the overall capital additions in 2022 and 2023, reflecting capital additions since the end of 2021 (the test year used to set rates in the Company's 2021 Electric Phase I) through December 31, 2023. Capital additions included in the cost of service include actual capital additions for January 1, 2022 through June 30, 2022 and forecasted capital additions for July 1, 2022 through December 31, 2023.</p>	<p>Kyle Williams supports the Generation Business Area capital additions for 2022 and 2023.</p> <p>Gilbert Flores supports Transmission capital additions for 2022 and 2023.</p> <p>David Mino supports the Distribution Business Area's capital additions for 2022 and 2023.</p> <p>Kristopher Farruggia supports the Transmission and Distribution capital additions associated with the Wildfire Mitigation Plan ("WMP") for 2022 and 2023.</p> <p>Megan Scheller and Michael Remington support Technology Services' capital additions for 2022 and 2023.</p> <p>Adam Dietenberger supports the Shared Services (other than Technology Services) capital additions for 2022 and 2023.</p> <p>Mark Moeller supports development of the test year 13-month average plant in-service balances.</p> <p>Arthur Freitas provides overall revenue requirements calculations based on plant in-service.</p>
Regulatory Assets	
<p>5. Approve the Company's total regulatory assets included in rate base, including the prepaid pension asset and prepaid retiree medical assets with a return at the Company's WACC.</p>	<p>Richard Schrubbe supports inclusion of the prepaid pension asset and prepaid retiree medical assets in rate base.</p> <p>Arthur Freitas supports the Company's regulatory assets included in rate base with a WACC return.</p>
Depreciation	
<p>6. Approve the total amount of depreciation and amortization expense included in the Test Year, which is based on application of the currently approved depreciation and amortization rates for electric utility accounts and common general accounts, and includes depreciation expense associated with capital additions placed in service through December 31, 2023.</p>	<p>Mark Moeller supports the level of requested depreciation and amortization expenses.</p>

O&M Expense	
<p>7. Establish the O&M expense in the Test Year based on O&M incurred for the 12 months ending June 30, 2022, with individual adjustments and inflationary adjustments to present a representative test year for the period rates will be in effect.</p>	<p>Kyle Williams supports the Generation Business Area Test Year O&M.</p> <p>Gilbert Flores supports Transmission Test Year O&M.</p> <p>David Mino supports the Distribution Business Area's Test Year O&M.</p> <p>Kristopher Farruggia supports the Transmission and Distribution Test Year O&M associated with the WMP.</p> <p>Michael Remington supports Technology Services' Test Year O&M.</p> <p>Adam Diitenberger supports the Shared Services (other than Technology Services) Test Year O&M.</p> <p>Richard Schrubbe supports the pension and benefit expenses included in the Test Year.</p> <p>Michael Deselich supports the Company's base pay and incentive compensation elements of the Test Year O&M and provides support for the labor-related O&M adjustments included in the Test Year.</p> <p>Sangram Bhosale discusses the impacts of inflation on the Company's business overall, supporting the non-labor inflation adjustment to the Test Year O&M.</p> <p>Arthur Freitas provides overall O&M revenue requirements calculations, the calculation of the labor and labor-related adjustments to the Test Year, and the calculations of the non-labor inflation adjustment to the Test Year.</p>

Cash Working Capital Methodology	
<p>8. Include depreciation expense and deferred taxes in the cash working capital calculation, and adopt the Company's proposed modified lead-lag study approach.</p> <p>9. Remove the 30-day cap on the revenue lag calculation for residential customers.</p> <p>10. Approve the Company's proposed lead-lag factors and resulting cash working capital.</p>	<p>Scott Watson supports the Company's approach to the lead-lag study, cash working capital calculation, and proposed cash working capital.</p>
Taxation	
<p>11. Calculate Public Service's income tax expense as though Public Service had depreciated its assets on a straight-line book basis.</p> <p>12. Approve the Company's additional taxation methodologies.</p>	<p>Naomi Koch supports the Company's approach to income tax, property tax, and additional tax-related matters.</p>
Cost Allocations	
<p>13. Approve the Company's cost assignment, allocation methods, and percentages used in preparing the Test Year are reasonable.</p>	<p>Nicole Doyle supports the Company's cost assignment and allocations methodologies.</p> <p>Arthur Freitas supports the Common Plant allocation methodology.</p>
Trackers and Deferred Balance Amortizations	
<p>14. Approval to reset the baseline and continue the Company's current Commission-approved Pension Expense tracker and deferral.</p>	<p>Marci McKoane supports continuation of the tracker.</p> <p>Arthur Freitas establishes the updated baseline for the tracker in this case.</p> <p>Richard Schrubbe supports the pension expense included in the Test Year cost of service.</p>
<p>15. Approval to reset the baseline and continue the Company's current Commission-approved Property Tax tracker and deferral.</p>	<p>Marci McKoane supports continuation of the tracker.</p> <p>Arthur Freitas establishes the updated baseline for the tracker in this case.</p> <p>Naomi Koch supports the level of property tax expense included in the Test Year cost of service.</p>

<p>16. Approval to reset the baseline and continue the Company’s current Commission-approved Public Utilities Commission (“PUC”) Expense tracker and deferral.</p>	<p>Marci McKoane supports continuation of the tracker.</p> <p>Arthur Freitas supports the forecasted costs for the Test Year and establishes the updated baseline for the tracker in this case.</p>
<p>17. Approval to reset the baseline and continue the deferral of capital and O&M previously approved by the Commission in Proceeding No. 16A-0588E for certain portions of the Company’s Advanced Grid Intelligence and Security (“AGIS”) deployment.</p>	<p>Marci McKoane supports continuation of the deferral.</p> <p>Arthur Freitas establishes the updated baseline in this case.</p> <p>David Mino supports Distribution’s AGIS capital and O&M.</p> <p>Michael Remington supports Technology Services’ AGIS capital and O&M.</p>
<p>18. Approval to reset the baseline and continue the deferral of expenses incurred to implement the Company’s Wildfire Mitigation Plan (“WMP”), as approved by the Commission in Proceeding No. 20A-0300E.</p>	<p>Marci McKoane supports continuation of the deferral.</p> <p>Arthur Freitas establishes the updated baseline in this case.</p> <p>Kristopher Farruggia supports the Transmission and Distribution capital and O&M associated with the WMP included in the Test Year cost of service.</p>
<p>19. Approval to recover the costs of capital and O&M previously deferred and approved by the Commission in Proceeding No. 15A-0847E for certain Innovative Clean Energy (“ICT”) costs.</p>	<p>Marci McKoane supports recovery of the deferred balance.</p> <p>Arthur Freitas provides the proposed amortization adjustments.</p>
<p>20. Approval to recover the costs of capital and O&M previously deferred and approved by the Commission in Proceeding No. 19A-0471E related to make-ready electric vehicle charging infrastructure.</p>	<p>McKoane supports recovery of the deferred balance.</p> <p>Arthur Freitas provides the proposed amortization adjustments.</p>
<p>21. Establish a new tracker, allowing Public Service to record and defer certain regulatory proceeding costs above and below a baseline amount equal to actual rate case expenses from the Company’s Phase I and II Electric Rate Cases.</p>	<p>Marci McKoane supports the need for the tracker.</p> <p>Arthur Freitas establishes the baseline for the tracker in this case.</p>

<p>22. Establish a deferral for Information Technology (“IT”) Aging Technology and Cybersecurity capital additions (IT Deferral), beginning at the end of the Test Year.</p>	<p>Megan Scheller discusses the Technology Services Business Area and the expanding IT needs of the Electric utility and supports the Company’s request for an IT Deferral.</p> <p>Marci McKoane provides the regulatory support for the IT Deferral.</p>
<p>23. Approve the Company’s proposed amortization periods for all of the previously deferred amounts being requested in this proceeding, and approval to amortize regulatory assets approved in prior proceedings.</p>	<p>Marci McKoane provides policy support for the amortization periods.</p> <p>Arthur Freitas provides the proposed amortization adjustments. He also supports a WACC return on the unamortized balances.</p>
<p>Gain on Sale</p>	
<p>24. Approve the Company’s proposed treatment of the net gain on sale of the Zuni Tank Farm property.</p>	<p>Marci McKoane provides support for the Company’s proposed treatment of the net gain on the sale of the Zuni Tank Farm property.</p>
<p>Riders</p>	
<p>25. Authorization to transfer recovery of transmission investment costs from the current Transmission Cost Adjustment rider into base rates.</p>	<p>Arthur Freitas presents calculations rolling these costs into base rates and describes how this treatment will be revenue neutral to customers.</p>
<p>26. Authorization to transfer recovery of costs for Manchief Generating Facility currently in the Purchased Capacity Cost Adjustment (“PCCA”) into base rates.</p>	<p>Arthur Freitas presents calculations rolling these costs into base rates and describes how this treatment will be revenue neutral to customers.</p>
<p>27. Approve charges through the GRSA and GRSA-E to incorporate the outcome of Phase I of this proceeding, pending the outcome of Phase II, which the Company intends to file by May 15, 2023.</p>	<p>Steven Berman supports the Company’s request to implement the GRSA/GRSA-E.</p> <p>Arthur Freitas provides calculations of the GRSA and GRSA-E amounts.</p>
<p>28. Approve the change in the Electric Commodity Adjustment (“ECA”) Short-Term Sales Margins for Generation and Proprietary Book from calendar year 2020 to the twelve months ended June 30, 2022</p>	<p>Marci McKoane provides support for the ECA tariff change.</p>
<p>Revenue Decoupling Mechanism</p>	
<p>29. Reset the baseline of the Revenue Decoupling Mechanism at the conclusion of this Phase I rate proceeding.</p>	<p>Steven Berman notes the status of the RDA and the need to reset the baseline in the rate case.</p>

Customer Protections	
<p>30. Approve the Company's proposed earnings sharing mechanism.¹</p>	<p>Steve Berman provides policy support and details related to the proposed earnings sharing mechanism.</p> <p>Marci McKoane provides support for the Earnings Sharing Adjustment tariff.</p> <p>Arthur Freitas supports the regulatory principles that will be used to calculate the earnings sharing mechanism.</p>
Tariffs	
<p>31. Approve the Company's proposed increase to rates charged under its Charges for Rendering Services and Maintenance Charges for Street Lighting Service tariffs.</p>	<p>Marci McKoane provides support for the proposed change to charges under the tariff.</p>
<p>32. Approve the proposed changes to the Company's PUC No. 8 Electric tariff, as described in Advice No. 1906 – Electric and in Direct Testimony.</p>	<p>Marci McKoane provides policy support for proposed tariff changes and provides clean and redlined versions of the Electric tariff in Attachments MAM-3 and MAM-4.</p>

¹ The Company proposes an earnings test if the Commission adopts the Company's proposed Test Year. An earnings test is a customer protection mechanism paired with the use of forecasts to set rates, and would not be necessary or customary under a historical test year.