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July 2, 2020

Mark D. Marini, Secretary  
Department of Public Utilities  
One South Station, 5<sup>th</sup> Floor  
Boston, MA 02110

Re: Joint Petition of Eversource Energy, NiSource Inc., Eversource Gas Company of Massachusetts and Bay State Gas Company d/b/a Columbia Gas of Massachusetts for Approval of Purchase and Sale of Assets Pursuant to General Laws Chapter 164, §§ 94 and 96 - D.P.U. 20-59

Dear Mr. Marini:

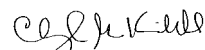
On July 2, 2020, pursuant to G.L. c. 164, §§ 94 and 96, Eversource Energy (“Eversource”), NiSource Inc. (“NiSource”), Eversource Gas Company of Massachusetts, and Bay State Gas Company d/b/a Columbia Gas of Massachusetts (“Bay State Gas”) (together the “Joint Petitioners”) submitted a petition to the Department of Public Utilities (the “Department”) for approval of NiSource’s sale of the operating assets of Bay State Gas to Eversource (the “Initial Filing”).

A Joint Motion for Approval of Settlement and the related Settlement Agreement, entered into by and among Bay State Gas, and its holding company parent, NiSource, Eversource Gas Company of Massachusetts and its holding company parent, Eversource, the Massachusetts Attorney General’s Office, the Massachusetts Department of Energy Resources and the Low-Income Weatherization and Fuel Assistance Program Network (“Network”) was also filed on July 2nd (the “Settlement Agreement Filing”).

Enclosed for filing with the Department is Exhibit JP-DPH-4 Supp., which supplements Exhibit JP-DPH-4 of the Joint Petitioner’s Initial Filing to incorporate the impact of the Settlement Agreement. As shown in Exhibit JP-DPH-4 Supp., Eversource estimates that the Department’s approval of the Settlement Agreement will result in estimated net quantifiable benefits of \$441 million for Bay State Gas customers over the next 10 years, representing a significant increase over the \$281 million projected by the Joint Petitioners in Exhibit JP-DPH-4 of the Initial Filing.

Thank you for your attention to this matter.

Sincerely,



Cheryl M. Kimball, Esq.

Letter Regarding Exhibit JP-DPU-4 Supp.

D.P.U. 20-59

July 2, 2020

Page 2

Enclosures

cc: Hon. Matthew Nelson, Chair (cover letter only)  
Hon. Robert Hayden, Commissioner (cover letter only)  
Hon. Cecile Fraser, Commissioner (cover letter only)  
Shane Early, General Counsel  
Sarah Spruce, Hearing Officer  
George Yiankos, Director, Gas Division  
Emily Luksha, Director, Rates and Revenue Requirements  
Rebecca M. Tepper, Assistant Attorney General  
Joseph W. Rogers, Assistant Attorney General  
Rachel Evans, Department of Energy Resources  
Jerrold Oppenheim, Low Income Weatherization and Fuel Assistance Program Network  
D.P.U. 19-140 and D.P.U. 19-141 Service Lists

Joint Petitioners' Net Benefit Analysis

		Summary of Quantifiable Net Benefits (in millions)											
Line	Description	2020	Year 1 2021	Year 2 2022	Year 3 2023	Year 4 2024	Year 5 2025	Year 6 2026	Year 7 2027	Year 8 2028	Year 9 2029	Year 10 2030	Cumulative
1	CMA Avoided Rate Cases	\$ -	\$ 59	\$ 59	\$ 59	\$ 93	\$ 93	\$ 93	\$ 140	\$ 140	\$ 140	\$ -	\$ 876
2	Annual O&M Savings Achieved by Year 10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40	\$ 40
3	Refund of Retroactive Tax Benefit for D.P.U. 18-45		\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7
4	Implementation of D.P.U. 18-45 Settlement as of 11/1/2020	\$ -	\$ -	\$ (13)	\$ (23)	\$ (23)	\$ (23)	\$ (23)	\$ (23)	\$ (23)	\$ (23)	\$ -	\$ (174)
5	Rate Base Reset Effective 11/1/2024 (2018-2023)		\$ -	\$ -	\$ -	\$ -	\$ (59)	\$ (59)	\$ (59)	\$ (59)	\$ (59)	\$ -	\$ (297)
6	Rate Base Reset Effective 11/1/2027 (2024-2026)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (44)	\$ (44)	\$ -	\$ (87)
7	Reduction from Gas Portfolio Consolidation	\$ -	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 20
8	Payment in lieu of penalties		\$ 56										\$ 56
9	<b>Subtotal - Net Quantifiable Benefits</b>	<b>\$ -</b>	<b>\$ 124</b>	<b>\$ 48</b>	<b>\$ 38</b>	<b>\$ 72</b>	<b>\$ 13</b>	<b>\$ 13</b>	<b>\$ 60</b>	<b>\$ 16</b>	<b>\$ 16</b>	<b>\$ 42</b>	<b>\$ 441</b>

- 1 + Assumes CMA rate filing in 2020 for new rates as of 1/1/2021 (on a standalone basis). Calculated as D.P.U. 18-45 Settlement results, plus additional increases in cost of service since 2017 test year. Avoided rate cases calculated as non-GSEP rev req from D.P.U. 18-45 Settlement, using AG-1-18 capital forecast; assumes rate case every 3 years per history
- 2 + O&M Savings achieved by Year 10 rate case; assumes 15% of Year 10 O&M of \$268M.
- 3 + Reflects refund of retroactive tax benefit reserved for customers in D.P.U. 18-45 Settlement.
- 4 - Assumes implementation of provisions of D.P.U. 18-45 Rate Settlement as of 11/1/2021
- 5 - Reset rate base for capital completed in 2018-2023, with rates effective in Nov 2024. Analysis reflects estimated non-gsep rate base from 2017 rolled forward for estimated capital investments
- 6 - Reset rate base for capital completed in 2024-2026, with rates effective in Nov 2027. Analysis assumes 2024 - 2026 NSTAR Gas non-GSEP capital
- 7 + Placeholder for CGAC savings; study is ongoing.
- 8 + Payment in lieu of penalties
- 9 + Total over 10 years

Note: rate changes effective November (Lines 4, 5, and 6) are presented in the table as taking effect on January for ease of presentation and calculation.

Joint Petitioners' Net Benefit Analysis

**Assumptions:**

CMA capital expenditure is taken from AG-1-18 in D.P.U. 18-45

Capex beyond 2022 is computed using 2018 - 2022 CAGR from 2022 capital level

NSTAR Gas capital forecast is taken from AG-1-18 in D.P.U. 19-120

Capex beyond 2023 is computed using 2019 - 2023 CAGR from 2023 capital level

<b>CMA Capital Expenditures</b>	Trend @ CAGR												
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Total Capex	144.5	150.1	167.6	188.1	210.8	231.9	255.1	280.6	308.7	339.6	373.5	410.9	452.0
GSEP	90.0	97.5	109.7	120.4	131.1	144.2	158.6	174.5	191.9	211.1	232.3	255.5	281.0
<b>Non-GSEP</b>	<b>54.5</b>	<b>52.6</b>	<b>57.9</b>	<b>67.7</b>	<b>79.7</b>	<b>87.7</b>	<b>96.5</b>	<b>106.1</b>	<b>116.7</b>	<b>128.4</b>	<b>141.3</b>	<b>155.4</b>	<b>170.9</b>
Total Capital CAGR (2018-2022)						9.9%							
GSEP CAGR (2018-2022)						9.9%							
Non-GSEP CAGR (2018-2022)						10.0%							

<b>NSTAR Gas Capital Expenditures</b>	Trend @ CAGR											
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
Total Capex	193.0	206.0	244.0	230.0	240.0							
GSEP	93.0	112.0	126.0	130.0	137.0							
Non-GSEP	100.0	94.0	118.0	100.0	103.0	103.8	104.5	105.3	106.1	106.9	107.7	108.5
Total Capital CAGR (2019-2023)						5.60%						
GSEP CAGR (2019-2023)						10.17%						
Non-GSEP CAGR (2019-2023)						0.74%						

Joint Petitioners' Net Benefit Analysis

**Cost of Service Assumptions (Non-GSEP)**

Annual Non-GSEP capital investments from CMA rate case filing		Return on rate base (incl tax gross up on equity)
Depreciation rate (DPU 18-45)	2.93% annual return	LTD 46.75% 5.0% 2.34%
Property taxes as % of net plant (rate case)	2.67%	Equity 53.25% 9.70% 7.11%
Statutory tax rate	27.32%	
2017 test year O&M (excluding reconciling items)	\$ 149 148,9715	
2014 test year O&M (excluding reconciling items)	\$ 130 130,0394	
O&M 3 yr CAGR 2014-2017	4.63%	
Excess EDIT amortization	2.4 36 years	
Annual reduction in 2017 ADIT balance	4.7 36 years	
2017 depreciation level DPU 18-45	\$ 48	
Depreciation from D.P.U. 18-45	44.9	
Amortization from D.P.U. 18-45	3.5	
<b>Total Dep &amp; Amort</b>	<b>48.4</b>	

	1	2	3	4	5	6	7	8	9	10	11	12	13
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Annual increase Non-GSEP investments	\$ 154.5	\$ 52.6	\$ 57.9	\$ 67.7	\$ 79.7	\$ 87.7	\$ 96.5	\$ 106.1	\$ 116.7	\$ 128.4	\$ 141.3	\$ 155.4	\$ 170.9
Cumulative Non-GSEP investments	155	207	265	333	412	500	597	703	820	948	1,089	1,245	1,416
Accumulated Depreciation (2017 depreciation level)	(48)	(97)	(145)	(194)	(242)	(290)	(339)	(387)	(436)	(484)	(533)	(581)	(629)
Accumulated Depreciation - incremental plant	(2)	(8)	(14)	(23)	(34)	(48)	(64)	(83)	(105)	(131)	(161)	(195)	(234)
<b>Net plant increase from 2018</b>	<b>\$ 104</b>	<b>\$ 103</b>	<b>\$ 105</b>	<b>\$ 116</b>	<b>\$ 136</b>	<b>\$ 162</b>	<b>\$ 194</b>	<b>\$ 233</b>	<b>\$ 279</b>	<b>\$ 333</b>	<b>\$ 396</b>	<b>\$ 469</b>	<b>\$ 552</b>

Change in Excess Deferred Tax	2	5	7	10	12	15	17	20	22	24	27	29	32
Changes in ADIT (from 2017 level)	5	9	14	19	23	28	33	37	42	47	51	56	61
ADIT from capital additions	(1)	(3)	(6)	(9)	(12)	(16)	(21)	(26)	(32)	(39)	(47)	(55)	(65)
<b>ADIT - subtotal</b>	<b>\$ 6</b>	<b>\$ 11</b>	<b>\$ 16</b>	<b>\$ 20</b>	<b>\$ 23</b>	<b>\$ 26</b>	<b>\$ 29</b>	<b>\$ 31</b>	<b>\$ 32</b>	<b>\$ 32</b>	<b>\$ 32</b>	<b>\$ 30</b>	<b>\$ 28</b>

<b>Net increases in Non - GSEP rate base from 2017</b>	<b>110</b>	<b>114</b>	<b>121</b>	<b>136</b>	<b>160</b>	<b>188</b>	<b>223</b>	<b>263</b>	<b>311</b>	<b>365</b>	<b>428</b>	<b>499</b>	<b>580</b>
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Return on rate base (including taxes)	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%	9.4%
Return on rate base	10	11	11	13	15	18	21	25	29	34	40	47	55
Depreciation expense	2	5	7	9	11	13	16	19	22	26	30	34	39
Property taxes	-	3	3	3	3	4	4	5	6	7	9	11	13
O&M increases	7	14	22	30	38	47	56	65	75	85	96	108	119
<b>Subtotal</b>	<b>\$ 20</b>	<b>\$ 33</b>	<b>\$ 43</b>	<b>\$ 54</b>	<b>\$ 67</b>	<b>\$ 81</b>	<b>\$ 97</b>	<b>\$ 114</b>	<b>\$ 133</b>	<b>\$ 153</b>	<b>\$ 175</b>	<b>\$ 200</b>	<b>\$ 226</b>

Rate increase March 2021 (2019 test year)				33	33	33	33	33	33	33	33	33	33
Rate increase 2025 (2023 TY)							34	34	34	34	34	34	34
Rate increase 2028 (2026 TY)										47	47	47	47
Rate increase 2030 (2028 TY)													61
subtotal - incremental rate increases on non gsep	\$	\$	\$	\$ 33	\$ 33	\$ 33	\$ 67	\$ 67	\$ 67	\$ 114	\$ 114	\$ 114	\$ 175
assumed net rate increase from DPU 18-45 settlement	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26	\$ 26
cumulative rate increase	\$ 59	\$ 59	\$ 59	\$ 59	\$ 93	\$ 93	\$ 93	\$ 93	\$ 140	\$ 140	\$ 140	\$ 201	\$ 201

**Incremental ADIT Calculation**

Book Depreciation on capital additions	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
2018 capital additions	2.26	4.53	4.53	4.53	4.53	4.53	4.53	4.53	4.53	4.53	4.53	4.53	4.53
2019 capital additions	-	0.77	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54
2020 capital additions	-	-	0.85	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70
2021 capital additions	-	-	-	0.99	1.98	1.98	1.98	1.98	1.98	1.98	1.98	1.98	1.98
2022 capital additions	-	-	-	-	1.17	2.34	2.34	2.34	2.34	2.34	2.34	2.34	2.34
2023 capital additions	-	-	-	-	-	1.29	2.57	2.57	2.57	2.57	2.57	2.57	2.57
2024 capital additions	-	-	-	-	-	-	1.41	2.83	2.83	2.83	2.83	2.83	2.83
2025 capital additions	-	-	-	-	-	-	-	1.55	3.11	3.11	3.11	3.11	3.11
2026 capital additions	-	-	-	-	-	-	-	-	1.71	3.42	3.42	3.42	3.42
2027 capital additions	-	-	-	-	-	-	-	-	-	1.88	3.76	3.76	3.76
2028 capital additions	-	-	-	-	-	-	-	-	-	-	2.07	4.14	4.14
2029 capital additions	-	-	-	-	-	-	-	-	-	-	-	2.28	4.55
2030 capital additions	-	-	-	-	-	-	-	-	-	-	-	-	2.50
Depreciation expense on capital additions from 2018	2	5	7	9	11	13	16	19	22	26	30	34	39

<b>Tax Depreciation on capital additions</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>
2018 capital additions	6	11	10	10	9	8	8	7	7	7	7	7	7
2019 capital additions	-	2	4	4	3	3	3	3	2	2	2	2	2
2020 capital additions	-	-	2	4	4	4	3	3	3	3	3	3	3
2021 capital additions	-	-	-	3	5	5	4	4	4	3	3	3	3
2022 capital additions	-	-	-	-	3	6	5	5	5	4	4	4	4
2023 capital additions	-	-	-	-	-	6	6	5	5	5	5	4	4
2024 capital additions	-	-	-	-	-	-	4	7	6	6	6	5	5
2025 capital additions	-	-	-	-	-	-	-	4	8	7	7	6	6
2026 capital additions	-	-	-	-	-	-	-	-	4	8	8	7	7
2027 capital additions	-	-	-	-	-	-	-	-	-	5	9	9	8
2028 capital additions	-	-	-	-	-	-	-	-	-	-	5	10	9
2029 capital additions	-	-	-	-	-	-	-	-	-	-	-	6	11
2030 capital additions	-	-	-	-	-	-	-	-	-	-	-	-	6
Tax depreciation on capital additions from 2018	6	13	16	20	24	28	33	38	44	51	58	66	74
Annual book tax difference	(4)	(8)	(9)	(11)	(13)	(15)	(17)	(19)	(22)	(25)	(28)	(32)	(35)
cumulative book tax difference	(4)	(11)	(21)	(32)	(45)	(60)	(77)	(96)	(118)	(142)	(170)	(202)	(237)
Tax effected	(1)	(3)	(6)	(9)	(12)	(16)	(21)	(26)	(32)	(39)	(47)	(55)	(65)

MACRS - 20 years	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21
	3.75%	7.22%	6.68%	6.18%	5.71%	5.29%	4.89%	4.52%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	4.46%	2.23%

2017 O&M	\$ 149.0
O&M forecast using CAGR	155.88 163.10 170.66 178.57 186.85 195.51 204.57 214.05 223.97 234.35 245.21 256.58 268.47
Cumulative increase over 2017 level	6.90 14.13 21.69 29.60 37.87 46.53 55.60 65.08 75.00 85.38 96.24 107.60 119.50



Joint Petitioners' Net Benefit Analysis

**O&M Savings**

2017 O&M before reconciling mechanisms (see below)	149
year 2030	268
Assumed savings %	15%
customer benefit	\$ 40

2017 O&M before reconciling mechanisms (line 32)	149.0	DPU 18-45, Exh. CMA TLS-2, Schedule TLS-5, page 1 of 20
2014 O&M before reconciling mechanisms (line 32)	130.0	DPU 15-50, Exh. CMA TLS-2, Schedule TLS-5, page 1 of 25
CAGR 2015-2017	4.63%	
2030 O&M inflated at CAGR	\$ 268.5	