

STATE OF NEW HAMPSHIRE  
PUBLIC UTILITIES COMMISSION

**DOCKET NO. DE 19-057**

IN THE MATTER OF:      **PUBLIC SERVICE COMPANY OF NEW  
HAMPSHIRE D/B/A EVERSOURCE ENERGY**

**Notice of Intent to File Rate Schedules**

REDACTED

DIRECT TESTIMONY

OF

**Jay E. Dudley  
Utility Analyst IV  
NHPUC**

December 20, 2019

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Attachment JED-1 Staff 12-044

Attachment JED-2 Staff 12-045

Attachment JED-3 Staff 12-045 AR, TS 2-51 **REDCATED**

Attachment JED-4 Staff 12-045 BA, TS 2-56

Attachment JED-5 Staff 12-045 AE, TS 2-60 **REDACTED**

Attachment JED-6 Staff 12-045 AD, TS 2-59

Attachment JED-7 OCA 8-003

**I. INTRODUCTION AND QUALIFICATIONS**

**Q. Mr. Dudley, please state your full name and business address.**

A. My name is Jay E. Dudley. My business address is 21 South Fruit Street, Suite 10, Concord, NH 03301.

**Q. Please state your employer and your position.**

A. I am employed by the New Hampshire Public Utilities Commission (“Commission”) as a Utility Analyst for the Electric Division.

**Q. Please describe your professional background.**

A. I started at the Commission in June of 2015 as a Utility Analyst in the Electric Division. Before joining the Commission, I was employed at the Vermont Public Service Board (now known as the Vermont Public Utilities Commission, “VT-PUC”) for seven years as a Utility Analyst and Hearing Officer. In that position I was primarily responsible for the analysis of financing and accounting order requests filed by all Vermont utilities, including review of auditor’s reports, financial projections, and securities analysis. As Hearing Officer, I managed and adjudicated cases involving a broad range of utility-related issues including rate investigations, construction projects, energy efficiency, consumer complaints, utility finance, condemnations, and telecommunications. Prior to working for the VT-PUC, I worked in the commercial banking sector in Vermont for twenty years where I held various management and administrative positions. My most

1 recent role was as Vice President and Chief Credit Officer for Lyndon Bank in  
2 Lyndonville, Vermont. In that position I was responsible for directing and administering  
3 the analysis and credit risk management of the bank's loan portfolio, including internal  
4 loan review, regulatory compliance, and audit. In performing those responsibilities, I  
5 also provided oversight for the commercial and retail lending functions with detailed  
6 financial analysis of large corporate relationships, critique of loan proposals and loan  
7 structuring, consultation on business development efforts, and advised the Board of  
8 Directors on loan approvals and loan portfolio quality. Prior to my role as Chief Credit  
9 Officer, I held the position of Vice President of Loan Administration. In this position, I  
10 was responsible for directing and administering the underwriting, processing, and funding  
11 of all commercial, consumer, and residential mortgage loans. My responsibilities also  
12 included the management of loan processing and loan origination staff and partnering  
13 with the Compliance Officer to monitor and ensure compliance with all banking laws,  
14 regulations, and the bank's lending policy. Previous to my position as Loan  
15 Administration Vice President, I held the position of Assistant Vice President of  
16 Commercial Loan Administration with Passumpsic Savings Bank in St. Johnsbury,  
17 Vermont. In that role, I was responsible for supervising loan administration and loan  
18 operations within the commercial lending division of the bank.

19  
20 **Q. Please describe your educational background?**

21 A. I received my Bachelor of Arts degree in Political Science from St. Michael's College.  
22 Throughout my career in banking, I took advantage of numerous Continuing Professional  
23 Education (CPE) opportunities involving college level coursework in the areas of

1 accounting, financial analysis, real estate and banking law, economics, and regulatory  
2 compliance. Also, during my tenure with the VT-PUC I took advantage of various CPE  
3 opportunities including the Regulatory Studies Program at Michigan State University  
4 (sponsored by the National Association of Regulatory Utility Commissioners “NARUC”),  
5 Utility Finance & Accounting for Financial Professionals at the Financial Accounting  
6 Institute, and Scott Hempling seminars on Electric Utility Law.

7  
8 **Q. Have you previously testified before the Commission?**

9 A. Yes. I previously submitted Staff testimony to the Commission in Docket No. DE 14-  
10 238, PSNH Generation Assets; Docket No. DE 15-137, Energy Efficiency Resource  
11 Standard; Docket No. DE 16-383, Liberty Utilities Request for Change in Rates; Docket  
12 No. DE 17-136, 2018-2020 NH Energy Efficiency Plan; and Docket No. DE 19-064,  
13 Liberty Utilities Request for Change in Rates.

14  
15 **II. SUMMARY OF TESTIMONY**

16 **Q. Please describe the purpose of your testimony today.**

17 A. The purpose of my testimony is to provide Staff’s recommendation involving Public  
18 Service Company of New Hampshire d/b/a Eversource Energy (“Eversource” or the  
19 “Company” or “PSNH”) request filed on March 22, 2019, to implement a permanent  
20 distribution rate increase to be effective on and after July 1, 2019, as it relates to capital  
21 investments and additions to Eversource’s rate base from 2013 to 2018. Based on the  
22 reports of the Company filed with the Commission, and Staff’s extensive review of the  
23 Company’s capital expenditures, Staff believes that a number of adjustments are

warranted to the Eversource permanent rate proposal. Staff recommends that the Commission make the following modifications:

• Eversource’s proposed revenue requirement:	\$69,254,451
• Staff’s reduction to revenue requirement:	<u>(\$44,875,910)</u>
Adjusted revenue requirement	\$24,378,542
• Eversource’s proposed rate base:	\$1,215,689,670
• Staff’s reduction to rate base:	<u>(\$62,999,792 )</u>
Adjusted rate base:	\$1,152,689,878

In addition, Staff recommends denial of Eversource’s proposed step increase of approximately \$15 million for 2019, and all subsequent step increases, and the Company’s proposal for a Grid Transformation and Enablement Program (“GTEP”).

If the Commission allows a 2019 step increase, then Staff recommends that the Commission open a separate docket for the purposes of investigating Eversource’s capital budgeting and planning process (after this case concludes), including a prudence review of individual capital projects that comprise Eversource’s 2019 step increase request. Further, Staff recommends that the Commission consider hiring a consultant to perform a business processes audit concerning the 2019 capital investments, and otherwise assist Staff in that investigation.

### **III. DISCUSSION OF PERMANENT RATE REQUEST AND STAFF’S REVIEW**

**Q. What is the statutory foundation for a request for permanent rates?**

**A.** Permanent rates are specifically allowed pursuant to RSA 378:28 which reads as follows:

1       **378:28 Permanent Rates.** – So far as possible, the provisions of RSA 378:27 shall be  
2       applied by the commission in fixing and determining permanent rates, as well as  
3       temporary rates. The commission shall not include in permanent rates any return on any  
4       plant, equipment, or capital improvement which has not first been found by the  
5       commission to be prudent, used, and useful. Nothing contained in this section shall  
6       preclude the commission from receiving and considering any evidence which may be  
7       pertinent and material to the determination of a just and reasonable rate base and a just  
8       and reasonable rate of return thereon.  
9

10       Following the completion of the full proceeding, a “permanent rate” level is determined,  
11       and the difference between the temporary rate level and the permanent rate level is then  
12       reconciled through either collection from or refund to customers.  
13

14       **Q.     Please summarize Eversource’s request for the permanent increase in rates.**

15       **A.**     According to Eversource, the Company has been unable to earn its authorized rate of  
16       return under existing rates because of a deficiency in distribution revenue of \$69.9  
17       million, on a pro forma basis, for test year 2018.<sup>1</sup> As a result, Eversource’s return on  
18       equity for 2018, related to the distribution portion of the business, declined to 7.72% as  
19       compared with the Company’s authorized return of 9.67%. Eversource is seeking  
20       recovery of the \$69.9 million<sup>2</sup> revenue deficiency in permanent rates; however, to allow  
21       the Company to earn at least a portion of its authorized return until the Commission  
22       makes its final determination on permanent rates, the Company proposed a temporary  
23       rate increase of approximately 2.7%, or \$28.3 million in additional distribution revenue.<sup>3</sup>  
24       After hearing and review, the Commission approved a temporary rate increase of \$28.3

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<sup>1</sup> Chung/Dixon Testimony on Permanent Rates at 8 (Bates 69).

<sup>2</sup> On November 4, 2019, Eversource adjusted this amount to \$69.2 million. See Eversource Energy Updated Revenue Requirement dated November 4, 2019.

<sup>3</sup> Chung/Dixon Testimony on Temporary Rates at 5 (Bates II 007).

1 million (the “June Order”).<sup>4</sup> In addition, Eversource has proposed a post-test year step  
2 increase intended to recover an annual revenue deficiency of approximately \$15 million  
3 based on approximately \$128 million in projected capital additions from January 1  
4 through December 31, 2019. The Company is requesting that the Commission make the  
5 step increase effective at the time that permanent rates become effective following the  
6 conclusion of this proceeding.

7  
8 **Q. As part of this rate case, did Commission Audit Staff complete a financial audit of**  
9 **Eversource’s books and records?**

10 **A.** No. The Commission’s Audit Staff is in the process of completing its audit and has not  
11 yet issued a final audit report. My understanding from discussions with the  
12 Commission’s Director of Audit is that the final audit report will be issued sometime  
13 after January 1, 2020 (after the Company has had an opportunity to respond to draft audit  
14 findings). Staff plans to reflect the results of the final audit report in an updated revenue  
15 requirement calculation to be completed in advance of the technical sessions/ settlement  
16 conference scheduled for in mid-February.

17  
18 **Q. Is Staff proposing a decrease to Eversource’s revenue requirements in this**  
19 **proceeding?**

20 **A.** Yes. As noted in Staff’s summary of adjustments above, please refer to the testimony of  
21 Ms. Donna Mullinax in which she provides detailed support for Staff’s recommended  
22 rate increase of \$24,378,542 which is \$44,875,910 less than Eversource’s proposed

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<sup>4</sup> Order No. 26,265, Docket No. DE 19-057, dated June 27, 2019.



1 revenue requirement. My testimony below addresses adjustments to the Company's rate  
2 base.

3  
4 **Q. Is Staff convinced that its recommendations for disallowances in this case will provide**  
5 **just and reasonable results?**

6 **A.** Yes. A key element of the just and reasonable standard, coupled with the statutory  
7 requirement that a utility's capital investments must be found to have been prudently  
8 incurred, is that the Commission must weigh the conflicting interests of both the utility and  
9 the ratepayer before finding the proposed rate is just and reasonable. In doing so, the  
10 Commission must measure what the public must reasonably pay against what the utility is  
11 reasonably entitled to receive. In the present docket, Staff's analysis indicates that  
12 Eversource overstated its revenue requirement by \$44.875 million, and to allow such a  
13 requirement into rates would be unjust for Eversource ratepayers. In addition, the  
14 Commission's expectation that a utility's investments are prudent, as required by RSA  
15 378:28, also rests on the just and reasonable standard such that imprudent expenditures are  
16 inconsistent with the standard and should be disallowed. As a result, Staff has found that  
17 approximately \$63 million in capital investments and related cost overruns, and  
18 approximately \$128 million in current capital investments for 2019, were not adequately  
19 explained or justified by the Company and that ratepayers should not be required to pay those  
20 costs.

21 **IV. REVIEW OF CAPITAL ADDITIONS AND COST OVER RUNS FOR 2015**  
22 **THROUGH AND 2018**

23 **Q. What explanation does the Company provide for the claimed downward pressure**  
24 **on its revenues and rates of return?**

1 A. Eversource testifies that one of the primary drivers behind the need for an increase in  
2 rates is the amount of capital investments made by the Company since its last rate case in  
3 2009. During that period, Eversource invested approximately \$800 million in capital  
4 additions and improvements.<sup>5</sup>

5 **Q. Why are Eversource's capital investments under Staff's review in this rate case?**

6 A. First, regulated electric utilities are some of the most capital-intensive entities that exist  
7 given the substantial amount of capital investment that is required to build and maintain  
8 reliable infrastructure. As a result, the significant and ongoing nature of those  
9 investments are frequently the primary causes for utilities to request periodic increases in  
10 rates. However, unlike unregulated competitive firms, regulated utilities cannot just  
11 pursue any investment strategies available that maximize shareholder value. Regulators  
12 must find that such expenditures are prudent, just and reasonable, and used and useful.  
13 As cited above, one of Eversource's primary justifications for the current rate increase  
14 request is the downward pressure that additional capital expenditures have placed on the  
15 Company's revenues and rates of return.

16 Second, during the course of Staff 's review of capital additions in this rate case, Staff  
17 found disparities between budgeted amounts and actual expenditures reported by the  
18 Company to be both numerous and significant in size, raising questions as to whether the  
19 Company was sufficiently diligent in controlling those costs. Given the number of  
20 variances, which in some instances increased originally budgeted costs several times  
21 over, and given that Eversource provided little in the way of specific information as to  
22 root causes or how the Company decided that those overages were economic, Staff was  
23 unable to conclude that Eversource took appropriate measures to control costs or that

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<sup>5</sup> Testimony of Erica L. Menard at 19 (Bates 938).

1 Eversource's decision-making process was reasonable or in the interest of ratepayers. As  
2 a result, Staff has recommended a disallowance of \$63 million in some plant investments  
3 and cost overruns. Those disallowances are discussed and outlined below.  
4

5 **Q. Please briefly summarize the capital budgeting process at Eversource.**

6 **A.** As described in Ms. Menard's direct testimony, up until 2015 Eversource utilized its  
7 "Project Authorization Policy" framework, referred to as AP-2002, under which project  
8 review, approval, and funding were conducted through the Capital Budget Review  
9 Committee ("CBRC").<sup>6</sup> At the end of each year, Engineering would propose a budget of  
10 known projects with proposed funding levels over the next five years. The budget was  
11 then reviewed and approved at the CBRC and subsequently presented at higher level  
12 budget meetings resulting in its eventual approval at the board level. Once approved, the  
13 budget was then used by the CBRC during the course of the year to monitor capital  
14 spending versus the financial targets established in the capital operating plan. Any  
15 subsequent project changes or variances would be assessed and approved by the CBRC.<sup>7</sup>  
16 As of 2016, Eversource performs capital planning and budgeting under a new Project  
17 Authorization Policy referred to as "APS-1."<sup>8</sup> Under this policy, the project  
18 authorization process starts with a mid-year meeting of the business planning group. The  
19 planning group reviews potential capital spending over the upcoming five-year period  
20 and develops a strategic plan for presentation to senior management for approval.  
21 Projects are authorized by the Company's management in accordance with the  
22 "Delegation of Authority" on the basis of a Project Authorization Form ("PAF"). A PAF

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<sup>6</sup> *Id.* at 5 (Bates 924) and Attachment ELM-4.

<sup>7</sup> *Id.* at 10 (Bates 929).

1 is required where a specific project estimate is expected to exceed the threshold outlined  
2 in the policy. As part of the annual budget process, each operating area submits a budget  
3 encompassing the requests for project authorization. The specific capital spending  
4 requests made by the operating areas are input into the five-year planning models and the  
5 results are compared to financial and performance targets. Annual projects and programs  
6 are based on and funded using historical spending levels. The strategic plan is then  
7 presented to senior management for approval, and once approved, it becomes the basis  
8 for the annual planning process and the budget. During the annual planning process,  
9 projects are reviewed and modified as needed and become the basis for the annual  
10 budget. Since PAFs are submitted in advance, they are generally prepared and authorized  
11 on the basis of conceptual estimates. Once projects are ready for construction with  
12 refined project cost estimates, projects are presented to the Project Authorization  
13 Committee for approval. The Project Authorization Committee meets at least monthly to  
14 review projects from an engineering, scheduling and cost perspective as well as  
15 reviewing any projects that require supplemental funding.<sup>9</sup>

16  
17 **Q. What internal documentation from Eversource did Staff examine as part of its**  
18 **review?**

19 **A.** As part of Staff Data Requests 12-44 and 12-45 (Attachments JED-1 and JED-2 to my  
20 testimony), Staff sought to obtain and review the following documents involving a  
21 specific sampling of projects from 2015 through 2018:

22 a. Pre-2015 policy (AP-2002):

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<sup>8</sup> *Id.* at Attachment ELM-5.

<sup>9</sup> *Id.* at 6 -7 (Bates 925 – 926) and 11 – 13 (Bates 930 – 932).

- Capital work orders
- Engineering work requests
- Work order approvals
- Project estimate analysis reports
- Project revision forms
- CBRC approval forms and revision sheets
- The reports and the analysis of the monthly Energy Delivery project review meetings.

b. Post 2015 policy (APS-1):

- PAF's
- Work orders
- Supplemental request forms
- Project reviews performed by the Financial Planning and Analysis Group
- Reviews and approvals of the Project Authorization Committee.
- Project reviews of the Eversource Enterprise Risk Management group.

**Q. Did Eversource provide all of the internal documentation requested?**

**A.** No. As discussed below, not all of the requested documentation was submitted or made available by Eversource. In addition, Staff's review of some projects was hampered by the Company's delay and intermittent submission of additional follow-up responses to requests made at the October 28 and 29 Technical Sessions.

1  
2 **Q. What issues did Staff discover in its review of Eversource's capital budgeting and**  
3 **planning?**

4 **A.** Staff found that the cost estimates contained in the capital budgets were consistently  
5 inaccurate, especially for large complex projects, and that the capital planning and  
6 budgeting process itself appears to be ad hoc with project managers devoting significant  
7 time compensating for inaccurate estimates and poor designs. Eversource management  
8 appears to provide only cursory oversight and monitoring as projects progress to  
9 completion. In addition, project documentation such as Project Authorization Forms and  
10 Supplemental Request Forms provide little in the way of detailed analysis or reasonable  
11 financial justifications for a project. Staff also found little evidence that Eversource  
12 considered or utilized basic capital budgeting techniques such as the identification of  
13 alternatives and dependencies among alternatives, least cost planning, or risk  
14 identification for any of the over-budget projects reviewed in the sample below. It also  
15 appears from a review of some of Eversource's monthly committee reports that the  
16 oversight committees impose little in the way of restrictions or cost controls on the level  
17 of capital expenditures undertaken by the Company during the course of the year. In  
18 addition, as noted below, most of the over-budget projects reviewed by Staff were not  
19 specifically tracked by these reports.

20 **V. FINDINGS: REVIEW OF CAPITAL PROJECTS SAMPLE AND COST OVER**  
21 **RUNS FOR 2015 TO 2018**

22  
23 **Q. What specific projects did Staff include in its examination?**

A. Staff compiled sample lists involving Staff Data Requests 12-044 and 12-045 (attached as Attachments JED-1 and JED-2) based on projects with significant cost over runs for 2015 (16 projects), 2016 (14 projects), 2017 (12 projects), and 2018 (14 projects), from a master list of plant additions provided by Eversource in Ms. Menard's testimony as Attachment ELM-3. The sampling was later refined based on Eversource's responses to follow-up data requests from the October 29, 2019, technical session. All of the projects in the samples were reviewed by Staff, but for the purposes of efficiency, two projects from the sample years 2018 and 2017 will be discussed here as representative of the Company's deficiencies in the areas of capital budgeting, planning, documentation, and execution. These projects are represented in the tables below:

**Table 1: 2018 Sample Projects**

<b><u>Project No.</u></b>	<b><u>Description</u></b>	<b><u>Budget</u></b>	<b><u>Revised</u></b>	<b><u>Actual</u></b>
A14W02	Daniel Sub. Station (Webster)	\$6,959,535	\$15,352,420	\$19,138,965
A18VRP	Viper Replacement Project	\$895,000	\$5,997,114	\$6,003,793

**Table 2: 2017 Sample Projects**

<b><u>Project No.</u></b>	<b><u>Description</u></b>	<b><u>Budget</u></b>	<b><u>Revised</u></b>	<b><u>Actual</u></b>
A14S08	Garvins Substation Rebuild	\$3,449,000	\$4,368,444	\$5,479,461
A14N21	Berlin Eastside 34.5 kV Line Brkr	\$1,071,000	\$2,838,000	\$3,709,636

All of the internal documentation obtained from Eversource was reviewed by Staff in connection with each of these projects, as well as the projects included in the sample. It is also important to note that hundreds of projects have been added to the Company's rate base since its last rate case making it impossible for Staff, given limited time and

**REDACTED**

resources, to determine the reasonableness of many of those investments. As a result, Eversource's capital projects for 2013 and 2014 were not included in this review.

**Q. Please provide the results of Staff's review of those projects.**

**A.** Below we provide our findings for the sample projects reviewed based on Eversource's responses to Staff Data Request 12-044 and 12-045, and the follow-up data requests represented in TS 2-51 (Attachment JED-3), TS 2-56 (Attachment JED-4), TS 2-59 (Attachment JED-5), and TS 2-60 (Attachment JED-6).

**2018 Capital Projects**

**1. Project #A14W02 Daniel Substation (Webster) 34.5 kV Upgrade**

**Attachment JED-3                      CONFIDENTIAL**

**2018 Budget: \$6,959,535      Revised: \$15,352,420                      Actual: \$19,138,965**

**Budget v. Actual: \$12,179,430**

**[BEGIN CONFIDENTIAL]**

[REDACTED]

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<sup>10</sup> See Attachment JED-3, Request No. TS 2-051.

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<sup>11</sup> See Testimony of Erica L. Menard, Attachment ELM-5 (Perm) at 9-10 (Bates 1370-1371).

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<sup>12</sup> See Data Responses OCA 6-098a and TS 2-051i included in Attachment JED-3.

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16 [REDACTED] [END CONFIDENTIAL]

17 **2. Project #A18VRP Viper Replacement Project Attachment JED-4**  
18 **2018 Budget: \$895,000 Revised: \$5,997,114 Actual: \$6,003,793\*\***  
19 **Budget v. Actual: \$8,984,000**  
20 **\*\*Supplemental Request Form shows \$9,879,000**

21 Project Authorization Form:

- 22 • This project initially involved the replacement of approximately 223 defective  
23 Viper reclosers that had been recalled by the manufacturer for model years 2014

1 and 2015 due to faulty vacuum bottles. Eversource experienced approximately 15  
2 failures of the reclosers for those model years.

- 3 • As part of the recall, the manufacturer agreed to rebuild the defective reclosers  
4 and cover the costs of removal and reinstallation.
- 5 • Turnaround time for the manufacturer to rebuild the reclosers was approximately  
6 five weeks.
- 7 • As noted above, the original budget and final cost amounts referenced in the  
8 project documentation differed from the amounts provided in Attachment ELM-3  
9 at Bates 1268 (i.e. \$950,000 and \$9,879,000).

10 Supplemental Request Form:

- 11 • This request materially changed the scope of the project as described above.  
12 Whereas the initial plan was to replace the defective Viper reclosers with “rebuilt  
13 units at zero material cost and requiring only minimal P&C engineering...,” the  
14 decision was later made by “NH senior management to supplement the inventory  
15 by utilizing Scadamate switches and Nova reclosers” due to concerns involving  
16 the amount of time required to ship the defective reclosers back to the  
17 manufacturer for rebuild and return. Installation of the new Scadamate switches  
18 and Nova reclosers would involve material costs for the new devices along with  
19 adjustments and additional commission work increasing the budget for the project  
20 by \$8.9 million.
- 21 • Eversource represented in the Technical Session held on October 29, 2019, that  
22 the Nova reclosers were of higher quality and more reliable than the Vipers. The



1 cost of the Nova reclosers was approximately \$31,600 per unit as compared with  
2 the cost of the Vipers which was \$23,500 per unit.

- 3 • The “Justification” section of the form provides no economic analysis or financial  
4 assessment to support the decision to switch out and replace the Viper reclosers  
5 with the new Nova units at an additional cost of \$8.9 million, beyond the facts  
6 that Eversource had experienced multiple failures of the Vipers and that the  
7 turnaround time for refurbishment under the manufacturer’s warranty (five  
8 weeks) was apparently too long.
- 9 • The manufacturer eventually reimbursed Eversource in 2019 for labor costs and  
10 materials costs associated with the defective Vipers in the amount of \$960,300.  
11 Eversource represents that all of the rebuilt Viper units have been re-deployed in  
12 the field.
- 13 • A “Lessons Learned” analysis and an “Alternatives” analysis was not provided in  
14 the form.

15 Work Orders:

- 16 • In response to Staff TS 2-056, Eversource provided a spreadsheet listing all of the  
17 work orders and locations associated with the redeployment of 161 rebuilt Vipers.

18 Project Reviews Performed by Eversource Enterprise Risk Management Group:

- 19 • The reviews were not provided as requested in Staff 12-045.

20 Project Reviews Performed by the Financial Planning and Analysis Group:

- 21 • The reviews were not provided as requested in Staff 12-045.

22 Project Reviews & Approvals by the Project Authorization Committee:

- 23 • The reviews were not provided as requested in Staff 12-045.

**Staff's Conclusions & Recommendations:**

Like the Daniel and Webster Substation project discussed above, Staff found the initial justification for the project reasonable and supportable in terms of known failures, customer outages, and the manufacturer's recall to rebuild and replace the defective Viper reclosers under warranty at little or no cost to Eversource. Nevertheless, despite the recall, Company management made the uneconomic decision to replace all of the Vipers with the more expensive Nova units instead of considering the less costly alternative. Upon reviewing the engineering aspect of the project, Staff concludes that the five-week turnaround time offered by the manufacturer was not unreasonable and that individual Viper units could have been temporarily removed and bypassed while waiting for the units to be rebuilt and returned from the manufacturer. Again, a prudent manager would have used reasonable assumptions and judgement to assess all viable options before undertaking an increase in investment of this magnitude. Staff was unable to find any indication from a review of the documentation provided that Eversource performed such an analysis. As a result, Staff recommends that the Commission disallow all of the costs over and above the original estimate of \$895,000, resulting in a total disallowance of \$5.1 million.

**2017 Capital Projects**

**1. Project #A14S08 Garvins Substation Rebuild**

**Attachment JED-5                      CONFIDENTIAL**

**2017 Budget: \$3,449,000      Revised: \$4,368,444                      Actual: \$5,479,461**

**Budget v. Actual: \$2,030,461**

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**2. Project #A14N21 Berlin Eastside 34.5 kV Line Breaker**

**Attachment JED-6**

**2017 Budget: \$1,071,000 Revised: \$2,838,000 Actual: \$3,709,636**

**Budget v. Actual: \$2,638,636**

Project Authorization Form:

- This project involved the installation of a 34.5 kV breaker and additional grounding bank at the Berlin Eastside Substation, and the removal of obsolete equipment including two 55 year-old 34.5 kV transformers. The PAF states that removing the obsolete equipment in conjunction with the breaker installation would be more efficient as opposed to performing the work in multiple stages.

1 The initial cost estimate for the project was \$1.3 million which does not match the  
2 amount provided in Staff 12-045 of \$1.07 million.

3 Supplemental Request Form:

- 4 • This request for supplemental funding is in the amount of \$2.3 million and was  
5 dated March 22, 2018, approximately nine months after the project's in-service  
6 date of June 2017. As discussed above, this runs contrary to the requirement for  
7 timely submission and approval as provided in the APS-1.
- 8 • Under the Executive Summary section, the cost increase was attributed to  
9 numerous cost components that were not considered in the preliminary  
10 engineering and estimate including the need to contract an outside engineer, line  
11 modifications and construction, environmental testing and remediation, and line  
12 materials. In addition, costs associated with engineering and testing were  
13 severely underestimated. Altogether these missed cost components totaled  
14 approximately \$1.7 million.
- 15 • In its response to Staff TS 2-059, Eversource claims that a site visit was  
16 conducted prior to preparation of the initial scope and estimate of the project, and  
17 that several additional site visits were conducted during the design process.
- 18 • The "Lessons Learned" section was not included on this form.

19 Work Orders:

- 20 • No work orders were provided by Eversource as requested in Staff 12-045.

21 Project Reviews Performed by Eversource Enterprise Risk Management Group:

- 22 • The reviews were not provided as requested in Staff 12-045.

23 Project Reviews Performed by the Financial Planning and Analysis Group:

- The reviews were not provided as requested in Staff 12-045.

Project Reviews & Approvals by the Project Authorization Committee:

- The reviews were not provided as requested in Staff 12-045.

**Staff's Conclusions & Recommendations:**

Staff found the initial justification for the project reasonable in terms of known obsolescence involving the asset condition of the some of the components of the substation and the need for related upgrades. However, after reviewing all of the essential cost components that were missed during the initial engineering and estimating phase of the project, and the resultant cost escalations totaling \$2.3 million, Staff finds this to be additional evidence of a severely flawed scoping and planning process at Eversource. Again, Staff presumes that Eversource engineers possess a high level of expertise and experience in performing project cost estimates, and given that several site visits were conducted during the design phase, Staff is puzzled as to why so many cost elements were missed during this stage of the project. Staff posed this question to Eversource in TS 2-059 a. but the Company's response was that they have transitioned to a new process involving the Project Management Institute's best practices and that the project had proved to be more complex than originally anticipated. Staff believes a judicious project manager would have been more diligent and forward-looking in considering the various cost components and possible scenarios that could impact the project, and that the site walk-downs should have informed that process, thus producing a scope document and cost estimate that would have been more comprehensive and complete. Instead, as the documentation appears to indicate, Eversource's site engineers had to devote much of their time to re-engineering the project during the construction

phase adding to the costs. As a result, Staff recommends that the Commission disallow all of the costs over and above the original estimate of \$1.3 million, resulting in a total disallowance of \$2.6 million.

**Q. Did Staff discover any other capital projects in its sample list that appeared to be problematic?**

**A.** Yes. In reviewing capital investments for 2015 as represented in Ms. Menard's Attachment ELM-3, Staff noticed significant cost overruns for projects designated as regional DA related to the REP3 program. This prompted Staff to conduct a more detailed review of the following projects:

<u>Project No.</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
A15CDA	Central Region 2015 DA	\$1,056,200	\$4,859,890	\$3,803,390
A15EDA	Eastern Region 2015 DA	\$ 236,240	\$5,182,798	\$4,946,558
A15NDA	Northern Region 2015 DA	\$2,333,600	\$9,292,601	\$6,959,001
A15SDA	Southern Region 2015 DA	\$ 764,750	\$4,022,145	\$3,257,395

Upon examination of the Supplemental Request Forms for these projects, Staff noticed the following statement included in the "Justification for Additional Resources" sections at 2: "When this project was approved, the Company expected the REP to be extended at its existing funding level through the end of 2017. In July of 2017 the NHPUC approved a funding level for REP for the remainder of 2017 at half its previous level. In order to maintain the pole top DA installations at the planned level, the decision was made to change the funding source for non-REP installations to base budget." Staff interprets this statement to mean that once the Commission imposed a spending limit for this program, Eversource shifted its planned amount of expenditures to its base budget. The quote



above refers to the Commission's order in Docket No. DE 17-076 in which Eversource sought continuation of the REP program for an additional two years at an increased level of funding.<sup>13</sup> At the time, Staff had concerns about the level and sources of the funding and recommended that funding be limited to \$10 million for the remainder of 2017. After holding side discussions with Staff and the OCA, the Company agreed to the revised REP capital plan that included a budget of \$10 million, of which approximately \$2.7 million was to be dedicated to distribution automation that included pole top automation.<sup>14</sup> The Commission approved the revised REP capital plan in its Order. Staff is troubled by the fact that Eversource had the opportunity in that proceeding to give Staff and the Commission advanced notice of its plan to shift spending for the DA deployment to its base budget, but chose not to do so. As a result, Staff and the Commission were left with the false impression that the Company was in agreement with those limitations. Consequently, Staff recommends the Commission disallow all of the costs over and above the original budget estimates for those projects, resulting in a total disallowance of \$18.9 million.

**Q. Does Staff has recommendations involving the other projects in its sample group?**

**A.** Yes. Staff recommends cost overrun disallowances for the following capital projects:

**2018**

<b><u>Project No.</u></b>	<b><u>Description</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
A16C09	Blain St. Substation	\$2,255,000	\$3,969,115	\$1,714,115
A16C10	Jackman Replace Eqpt.	\$4,228,000	\$7,132,860	\$2,904,860
A16E06	West Rye Substation	\$1,040,000	\$2,698,369	\$1,658,369
A18E16	West Rd Overload	\$ 536,000	\$1,408,801	\$ 872,801
A07X45	Reject Pole Replacement	\$ 634,000	\$1,287,000	\$ 653,000

<sup>13</sup> See Order No. 26,034, Docket No. DE 17-076 at 3.

<sup>14</sup> *Id.* at 4.

**2017**

<b><u>Project No.</u></b>	<b><u>Description</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
A16C01	3271 Line Reconductor	\$ 771,000	\$2,458,566	\$1,687,566
NHRMTR17	NH Remote Disconnect	\$1,235,618	\$2,283,449	\$1,047,831
DL9R	Distribution ROW	\$1,239,800	\$2,379,966	\$1,140,166

**2016**

<b><u>Project No.</u></b>	<b><u>Description</u></b>	<b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>
A15N01	Convert Laconia	\$ 144,339	\$2,465,701	\$2,321,362
DL9R	Distribution ROW	\$ 626,198	\$1,643,132	\$1,016,934
<b>TOTAL</b>				<b>\$15,017,004</b>

All of these projects shared the same documentation deficiencies

- PAF's that exhibited differing initial budget estimates and incomplete analysis involving alternatives, financial assessment, implementation plan, risks, and decision-making process.
- Supplemental Request Forms that in some cases were filed after project completion and were nondescript in terms of analysis to support the cost increase.
- Work orders that were not submitted by Eversource.
- Project reviews performed by the Project Approval Committees and the Financial Planning Group that were either not provided or did not include discussion or reference to significant cost overruns of certain projects.

**Q. In the above discussion of projects reviewed for both 2018 and 2017, you refer to some instances of missing documentation not provided by Eversource. Please explain.**

1    **A.**     At the Technical Sessions held on October 28 and 29, 2019, Eversource represented that  
2           it would provide missing project documentation by way of follow-up that was not  
3           originally filed with the Company's responses to Staff data requests 12-44 and 12-45.  
4           Both data requests were quite specific in terms of the types of documentation Staff was  
5           interested in reviewing. Although some missing documents were eventually provided  
6           (e.g. Project Authorization Forms), as the period for discovery expired documentation for  
7           many of the projects from Staff's sample list referenced above were not provided by  
8           Eversource. As a result, Staff will recommend disallowance for the over-expenditures  
9           associated with those projects since they were not supported by evidence and  
10          documentation requested but not provided by Eversource.

11  
12   **Q.**     **Please summarize Staff's findings based on the review of sample projects for 2018**  
13           **and 2017 and the documentation and reports obtained from Eversource.**

14   **A.**     My response is divided in two parts. First, Staff's review was largely dependent upon the  
15           quality of documentation provided by Eversource in their data responses. Although  
16           Eversource appears to have been consistent in filing and processing all of the standard  
17           documentation and reports required under the Company's internal processes and  
18           procedures, most of the documentation examined by Staff lacked the level of detail and  
19           analysis required by those same policies and procedures, in many instances providing  
20           only a cursory assessment of the capital projects mentioned. In terms of data responses  
21           both written and obtained at the Technical Sessions, Eversource was given ample  
22           opportunity to provide root causes and detailed analysis for the cost overruns reviewed,

1 but the answers received were vague and lacking in specifics. Staff's overall findings for  
2 each of the documents reviewed are as follows:

3 a) Project Authorization Forms: In Staff's view, this is a key piece of  
4 documentation since, under Eversource's APS-1 policy and procedures for capital  
5 expenditures, this form provides the essential details, and primary justifications  
6 for, a given capital project.<sup>15</sup> Although Staff found some sections of the forms to  
7 be fairly complete (e.g. the Executive Summary, Scope of Work, Project  
8 Description), many of the PAF's reviewed did not provide sufficient details and  
9 analysis for "Alternatives Considered" or "Overall Justification." In addition,  
10 some of the PAF's did not provide any basis for the proposed budget estimates  
11 nor economic justification for the projects. Moreover, for many of the PAF's  
12 reviewed, the initial budget amounts were consistently under-estimated, in some  
13 cases by several times the amount of the actual expenditures as reflected in  
14 Attachment JED-3, JED-4, and Tables 1 and 2 above.

15 b) Supplemental Request Forms: Some of the forms reviewed were submitted after  
16 the project completion dates. This practice runs contrary to the apparent intent of  
17 the form as described in the APS-1 Project Authorization Policy since  
18 engagement of management for approval, and alerting management to cost  
19 overruns, presumably should be sought during the course of the project at the time  
20 the changes occurred.<sup>16</sup> This after-the-fact notification essentially negates the  
21 need for and purpose of the form. In addition, no reasonable economic  
22 justification for many of the cost increases were provided, nor did Eversource

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<sup>15</sup> Attachment ELM-5 at Bates 1365-1369.

<sup>16</sup> *Id.* at Bates 1369.

1 provide root cause analysis in terms of the cost escalations. As noted above, in its  
2 response to Staff TS 2-051b, Eversource states that root cause analysis is not  
3 necessary since the project cost process is “iterative” and “involves graduated  
4 stages of information gathering.” This leaves unexplained what purpose the initial  
5 budget amounts serve if they are not to be relied on or referenced as an  
6 appropriate starting point for measuring project costs. In addition, under the  
7 “Lessons Learned” section, it was frequently disclosed the site visits were never  
8 conducted during the preliminary design and estimating phase for many projects.

9 c) Work Orders: For most of the projects reviewed, copies of work orders were not  
10 provided by Eversource as requested.

11 d) Project Reviews Performed by Eversource Enterprise Risk Management Group:

12 The reviews were not provided as requested in Staff 12-045.

13 e) Project Reviews Performed by the Financial Planning and Analysis Group: The  
14 reviews were not provided as requested in Staff 12-045.

15 f) Project Reviews & Approvals by the Project Authorization Committee: In most  
16 instances the reviews were not provided even though the Committee meets on a  
17 monthly basis. In the few cases that information was provided, only a cursory  
18 level overview was given but with no information in terms of the degree of  
19 oversight, attempts at cost containment (if any), or the thought or decision-making  
20 process on the part of upper level management concerning the cost overruns of  
21 the project.<sup>17</sup>

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<sup>17</sup> In response to a data request from the Office of Consumer Advocate, OCA 4-002, Eversource submitted a limited number of committee reports for 2017-2018. Upon examination, none of the reports included any references to the projects under Staff’s review with the exception of the Viper Replacement Project #A18VRP.

1 Staff believes that when a public utility undertakes investments of this magnitude the  
2 decision-making process should involve consideration of different future scenarios and  
3 options. A prudent manager would have used reasonable assumptions to assess those  
4 scenarios and options. Since Eversource did not do this, and most of the additional costs  
5 were the result of a deficient process, Staff recommends disallowance of the cost  
6 overruns for these projects.

7  
8 **Q. Did Staff have reasonable expectations in terms of informational content involving**  
9 **the documents requested from Eversource?**

10 **A.** Staff expected that it would obtain information from Eversource that would provide  
11 details and support for the presumption that some or all of the cost overruns were  
12 reasonably incurred. In particular, Staff was looking for the following:

- 13 a) Specific causes of the cost increases for certain projects from inception to  
14 completion.
- 15 b) Extent of project management involvement and methodologies utilized to  
16 assure cost control.
- 17 c) Documentation evidencing the existence of cost-effectiveness and  
18 efficiency in project management, engineering, procurement, and  
19 construction.
- 20 d) Amount or level of interaction with contractors in containing costs.
- 21 e) Techniques used to review and measure the performance of project  
22 management and cost control.

23 Staff believes that these measures represent reasonable and typical management

1 practices. Moreover, for a public utility, management's judgment should be substantiated  
2 in a way that permits thorough review. As mentioned above, in response to several  
3 follow-up data requests from the Technical Session held on October 29, 2019, Eversource  
4 provided a detailed statement on "best practices" under the Project Management  
5 Institute's Project Management Body of Knowledge that Eversource claims it adheres to  
6 as part of its project management process. Unfortunately, Staff was unable to find  
7 evidence that those best practices were applied in the projects reviewed by Staff, nor  
8 was there sufficient evidence that Eversource's budgeting and planning process  
9 incorporated any of the types, or similar types, of project management and cost control  
10 listed above. Therefore, based on the substantial record Staff reviewed, Staff cannot  
11 conclude that such metrics were considered by Eversource and that the costs were  
12 reasonably incurred.

13  
14 **Q. Did Staff examine plant additions beyond what was included in Staff's sample**  
15 **referenced above, and if so, what were Staff's conclusions?**

16 **A.** Staff examined each of the projects listed in Attachment JED-1 and JED-2 for the  
17 purposes of compiling the sample list. However, due to the sheer number of projects  
18 listed from 2013 through 2018, Staff did not have the time or the resources to conduct an  
19 in-depth review of each project. Nevertheless, based on Staff's examination of the  
20 capital projects listed in the sample, and our findings discussed above, Staff concludes  
21 that there is a high likelihood that the same deficiencies would be found in the projects  
22 that were not reviewed. As a result, it is Staff's recommendation that the Commission  
23 open a separate docket for the purposes of investigating Eversource's capital budgeting

1 and planning process (after this case concludes), including a prudence review of  
2 individual capital projects that comprise Eversource's 2019 step increase request, and  
3 hire a consultant to assist Staff in that investigation.

4  
5 **VI. STEP ADJUSTMENTS AND PROPOSED GTEP**

6 **Q. Did Eversource propose any step adjustment increases as part of its overall rate**  
7 **request?**

8 **A.** Yes. Similar to Eversource's previous request in Docket DE 09-035, the Company  
9 proposed an initial step adjustment increase for 2019 in the amount of \$15 million. This  
10 increase incorporates costs associated with Eversource's capital spending for 2019  
11 totaling approximately \$128 million and is proposed to take effect concurrently with the  
12 Commission's approval of the permanent rate increase.<sup>18</sup>

13  
14 **Q. In Docket DE 09-035 the parties agreed through Settlement that the first step**  
15 **increase, along with subsequent step increases, should be approved by the**  
16 **Commission. Does Staff support approval of Eversource's step increases proposed**  
17 **in the present docket?**

18 **A.** No. As the question indicates, in Eversource's last rate case the first step adjustment,  
19 along with additional step increases through to 2012, were ultimately incorporated, along  
20 with other negotiated issues, into a broad-based Settlement Agreement resolving the  
21 multiple issues between the parties. Unfortunately, due to the schedule in that case, and  
22 the timing of the Settlement discussions, there was no opportunity for Staff to conduct a

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<sup>18</sup> Chung/Dixon Testimony on Permanent Rates at 91 (Bates 152), 97 (Bates 158) and Attachment EHC/TMD-3 at 1 (Bates 313).



1 thorough review of Eversource's 2009 capital budget, nor did the Audit Division have  
2 time to perform an audit. Moreover, by the time the final capital spending numbers for  
3 2009 (i.e. actual expenditures as compared with the budgeted amounts) were available  
4 from Eversource (with the year-end closure of Eversource's books), the time for  
5 discovery and testimony involving individual projects had passed. In the present rate  
6 case, a similar situation is emerging whereby Eversource's capital spending budget for  
7 2019, and subsequent capital budgets from 2020 through 2022, comprise the step  
8 increases proposed by the Company. In terms of the first step increase, like the prior rate  
9 case, the final expenditure amounts for those plant additions are not yet available for  
10 Staff or Audit to review (not to mention projects that may have been postponed or  
11 cancelled in the interim). In addition, the time for serving discovery and submitting  
12 testimony related to the 2019 capital projects has now passed. Consequently, Staff is  
13 recommending that the Commission not approve the 2019 step increase concurrently with  
14 the permanent rates as requested by Eversource. Instead, Staff recommends that the  
15 Commission order the scheduling of a separate proceeding to investigate this matter in  
16 2020 so as to allow sufficient time for a complete review of the 2019 capital expenditures  
17 by both Staff and Audit.

18  
19 **Q. Is Staff deviating from precedent by not recommending approval of the first step**  
20 **increase as requested by Eversource?**

21 **A.** Staff is not aware of any precedent that requires the automatic acceptance and approval of  
22 any step increase without an adequate and reasonable process for review by Staff, Audit,  
23 and the Commission. As we have documented above, examples of deficiencies in

1 Eversource's capital planning and budgeting in this rate case justify the need for a  
2 comprehensive review of any future step increases.

3  
4 **Q. Does Staff have any concerns involving the future step increases requested by**  
5 **Eversource?**

6 **A.** Yes. Additional step adjustments are proposed for 2020 through 2022, and are to include  
7 various O&M expenses, IT expenses and anticipated union wage increases, in addition to  
8 capital expenditures.<sup>19</sup> In terms of plant additions, according to Mr. Chung's and Mr.  
9 Dixon's testimony, the Company forecasts total changes to gross plant of \$148 million in  
10 2020, \$113 million in 2021, \$133 million in 2022.<sup>20</sup> Eversource proposes to make annual  
11 compliance filings with the Commission on or before April 30 of each year to document  
12 the prior year's expenses and to confirm that all plant additions are in service.<sup>21</sup> Under  
13 the current proposal as filed, Eversource did not provide specifics on the type of projects  
14 that would be undertaken; however, the Company did provide a spreadsheet of future  
15 investments as part of its response to the Office of Consumer Advocate's data request  
16 OCA 8-003 (attached as Attachment JED-7), but the information provided was mostly  
17 based on broad blanket project categories. Consequently, all that is known about these  
18 projects is that they are varied and presumed necessary for future growth. In addition, the  
19 projects and amounts provided in the aforementioned list are merely budget estimates for  
20 numerous future investments that provide no known or knowable benefits to ratepayers  
21 and are subject to modification in future years.

22  

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<sup>19</sup> *Id.* at 93 (Bates 154).

<sup>20</sup> *Id.* at Bates 313.

1 **Q. What is Staff's recommendation for future step increases as proposed by**  
2 **Eversource?**

3 **A.** Staff does not support the proposal and instead recommends that the Commission retain  
4 its traditional rate-making role whereby plant additions, along with other expenses, are  
5 reviewed comprehensively in periodic rate cases, in order to ensure just and reasonable  
6 rates. Staff in particular recommends base rate case review of the Company's plant  
7 investments, based on the fact that those investments are numerous, significant in size  
8 and complexity, and in some instances unnecessary given the Company's relatively flat  
9 load growth, satisfactory reliability, and the adoption of updated performance standards.  
10 For those reasons, Staff recommends that the Commission deny the Company's proposal  
11 involving future step increases.

12  
13 **Q. Did you undertake an assessment of Eversource's proposed GTEP as part of your**  
14 **examination of the Company's capital investments?**

15 **A.** No. Although the GTEP proposal is interrelated with future capital investments in terms  
16 of the Company's base capital plan and cost recovery, this issue is thoroughly discussed  
17 in the testimony of Kurt Demmer and Richard Chagnon. Based on their review of the  
18 program, I agree with their recommendation that the Commission should deny  
19 Eversource's proposal for the GTEP.

20  
21 **VII. CONCLUSIONS AND RECOMMENDATIONS**

22 **Q. Please summarize Staff's findings.**

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<sup>21</sup> *Id.* at 97 (Bates 158) and 98 (Bates 159).

1    **A.**     In summary, based on the extensive review outlined above, Staff is unable to find that  
2           Eversource provided sufficient economic justification and analysis to support the capital  
3           projects reviewed or the sizeable cost overruns associated with some of those projects, for  
4           the following reasons:

- 5           • Staff found no evidence that Eversource analyzed alternatives, considered least  
6           cost planning, performed sufficient financial analysis, or complied with its own  
7           policy and procedures involving many of the PAF's and the Supplemental  
8           Request Forms.
- 9           • Staff found initial budgeted amounts and revised budget amounts both in the  
10          spreadsheets and the Supplemental Request Forms, to be consistently  
11          underestimated and unreliable thus calling into question the quality of the figures  
12          contained in Eversource's reports and other related documentation.
- 13          • Staff found little evidence that Eversource's project planning and management  
14          constitutes an efficient or organized process or that proper processes and controls  
15          are in place for reasonable and prudent decision making.
- 16          • Eversource provided little evidence that its project management employed  
17          appropriate cost control methodologies or techniques, or that it reasonably  
18          responded to changing circumstances or new challenges as projects progressed.
- 19          • Staff found that Eversource does not always observe Good Utility Practice and  
20          did not conduct its capital budgeting and planning in a manner that was economic  
21          or efficient.

- Eversource's approach to capital budgeting and planning directly impacts rates given that this rate case was filed primarily because of \$36 million in capital expenditures invested by the Company since the last rate case.
- The delays by Eversource in providing key documents, or not providing them at all, hampered Staff's review in this case.

**Q. What recommendations does Staff propose as a result of its analysis of Eversource's revenue requirement?**

A. First, Staff incorporates the recommendations of witness Mullinax. Ms. Mullinax recommends a total reduction of \$44.875 million from the proposed revenue requirement based on her extensive review of Eversource's proposed revenue requirement and Staff's recommended adjustments. Staff also recommends that the Commission reject the proposed step increase for 2019 and all future step increases, and Eversource's proposal for GTEP, given Staff's overall determination that Eversource has exhibited substandard capital planning and budgeting based on the evidence provided above. Instead, Staff recommends that the Commission open a separate docket for the purposes of investigating Eversource's capital budgeting and planning processes, including (if the Commission approves a step increase for 2019 investments) a prudence review of individual capital projects that comprise the Company's step increase request for 2019, and consider hiring a consultant to perform a business processes audit in support of that investigation.

1 Lastly, based on our review of capital projects for 2015 through 2018 outlined above,  
2 Staff recommends a total disallowance from Eversource's proposed rate base of  
3 \$62,999,792.

4 In summary, Staff's proposed adjustments to the Company's rate base are as follows:

5		
6	Total Rate Base	\$1,215,689,670 <sup>22</sup>
7	Less:	
8	Adjustment for Capital Expenditures	(\$62,999,792)
9	Adjusted Rate Base	\$1,152,689,878

10  
11 **Q. Does that conclude your testimony?**

12 **A.** Yes, it does.  
13  
14

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<sup>22</sup> Mullinax Testimony at 3.