STATE OF NEW HAMPSHIRE

BEFORE THE

NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 19-057

REQUEST FOR PERMANENT RATES

DIRECT TESTIMONY OF

RUSSEL D. JOHNSON, DAVID L. PLANTE and JAMES J. DEVEREAUX

Step 3 Adjustment

On behalf of Public Service Company of New Hampshire

d/b/a Eversource Energy

April 29, 2022

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PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY REQUEST FOR PERMANENT RATES

Docket No. DE 19-057

I. INTRODUCTION

Q. Mr. Johnson, please state your full name, position and business address.

A. My name is Russel D. Johnson. I am employed by Eversource Energy Service Company as Director of Distribution Engineering. My business address is 780 North Commercial Street, Manchester, New Hampshire.

Q. What are your principal responsibilities in this position?

A. As the Director of Distribution Engineering, I am responsible for optimizing the performance of the distribution system assets of Public Service Company of New Hampshire d/b/a Eversource Energy ("Eversource" or the "Company") and ensuring customer needs for service and reliability are satisfied in this regard. The Distribution Engineering and Design Group reports to me. I am also primarily responsible for the Company's capital budgeting and project approval process associated with distribution line projects and programs. I have also had responsibility for the Reliability Enhancement Program ("REP") Plan, which supported up to $40 million of capital investment annually targeted at reliability projects.

Q. Please summarize your professional experience and educational background.

A. I graduated from Clarkson University in Potsdam, New York in 1985 with a Bachelor of Science in Electrical and Computer Engineering. I also received a Master of Science in Electric Engineering with a concentration in Power Engineering from Clarkson University in 1987. Upon graduation from Clarkson University, I was hired by the Company and have held various positions in Distribution Engineering, Large Commercial and Industrial Sales, System Projects, and System Planning with increasing responsibility leading to my current position as Director of Distribution Engineering. I have also been a licensed Professional Engineer in the State of New Hampshire since 1990.

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

A. Yes, I have testified before the New Hampshire Public Utilities Commission (the "Commission") in past proceedings, including Docket No. DE 09-035 (Reliability Enhancement Program), Docket No. DE 13-177 (Least Cost Integrated Resource Plan), and Docket No. DE 16-576 (Development of New Alternative Net Metering Tariffs and/or Other Regulatory Mechanisms and Tariffs for Customer-Generators). I have also co-sponsored pre-filed testimony in Docket No. DE 22-010 (the Company's pending 2022 Regulatory Reconciliation Adjustment).

Q. Mr. Plante, please state your full name, position and business address.

A. My name is David L. Plante. I am employed by Eversource Energy Service Company as Manager of New Hampshire Project Management and Construction. My business address is 13 Legends Drive, Hooksett, New Hampshire.

Q. What are your principal responsibilities in this position?

A. In this role, I am responsible for managing the Project Management and Construction Group as well as providing oversight of the capital program for the transmission business in New Hampshire. I have oversight on most of the large transmission and distribution projects in the Eversource New Hampshire service territory.

Q. Mr. Devereaux, please state your full name, position and business address.

A. My name is James J. Devereaux. I am employed by Eversource Energy Service Company as Manager of Budgets and Investment Planning. My business address is 780 North Commercial Street, Manchester, New Hampshire.

Q. What are your principal responsibilities in this position?

A. As the Manager of Budgets and Investment Planning, I am primarily responsible for the financial reporting, analysis and oversight of the Company's capital and O&M programs. I also monitor capital projects throughout their life cycle and provide reporting on a monthly basis to review costs and identify projects that need supplemental funding authorization approvals.

Q. Mr. Plante and Mr. Devereaux, did you previously sponsor testimony in this docket that contains additional information on your professional experience and educational backgrounds?

A. Yes. We submitted joint testimony with Company witness Lee G. Lajoie on May 3, 2021 in this docket that provides further information on our professional experience and educational backgrounds.

Q. What is the purpose of your testimony?

A. The purpose of our testimony is to support the Company's petition for an increase in distribution rates for the third step adjustment, to be effective August 1, 2022, as provided in Section 10 of the Settlement Agreement on Permanent Distribution Rates dated October 9, 2020 (the "Settlement Agreement") and approved by the Commission in Order No. 26,433 on December 15, 2020. This is the third step adjustment under the Settlement Agreement and pertains to certain projects placed in service during calendar year 2021. Our testimony will describe the capital projects and the processes in place at the Company pertaining to project management and budgeting. In support of the step adjustment, the Company is also filing joint testimony from Company witnesses Marisa B. Paruta and Edward A. Davis on the step adjustment revenue requirement and rate impacts, respectively.

Q. Are you presenting any attachments in support of your testimony?

A. Yes, we are presenting Attachment RDJ/DLP/JJD-1 containing the capital additions for calendar year 2021 by project.

Q. How is your testimony organized?

A. Following this introduction, Section II discusses the Company's capital planning and approval process and describes how the construction budget is developed and managed. Section III describes the capital projects and costs included in the step adjustment and the documentation being provided in support of those projects.

II. CAPITAL PROJECT PLANNING AND APPROVAL PROCESS

A. Capital Project Planning

Q. What is the Company's capital project planning process?

A. The Company's capital project planning process primarily consists of two phases: the Five-Year Long-Range Plan and the Annual Plan.

Five-Year Long-Range Plan: The first phase of the capital project planning process begins with a mid-year Long-Range Planning meeting of the business planning group (the "Planning Group"). The Planning Group meets with New Hampshire senior management to review potential capital investments over the upcoming five-year period and develop a long-range plan (the "Long-Range Plan") for presentation to the Eversource executive leadership team for approval. During this time there are several meetings, discussions and reviews led by Engineering to review system needs, age of infrastructure and proposed investments to address these needs. These meetings are typically held in the first and second quarters of the year with Engineering, Operations and Investment Planning. The output of these reviews is the proposed Long-Range Plan, which is presented for review at the Long-Range Planning meeting, where each operating area presents its capital investment needs and resource requirements for consideration to the executive leadership team, and ultimately presented to the Eversource Board of Trustees in late-second quarter annually. Once approved by the Eversource Board of Trustees, the capital investments included in year one of the Long-Range Plan are used as the foundation for the annual planning process for the upcoming year.

Annual Plan: The second phase of the capital project planning process begins with the annual planning process, which initiates over the summer and continues through the end of the year with a series of meetings ("Business Plan Meetings"). The Business Plan Meetings are held in each operating area and include New Hampshire senior management. Each area presents specific capital projects and the annual blanket projects and programs ("Annuals") for the upcoming year identified for inclusion in the Annual Plan. During the Business Plan Meetings, the specific capital projects and Annuals are reviewed by the Operations leadership team and modified as needed to address any emergent system concerns. Once completed, the Annual Plan is then presented to the Eversource executive leadership team in October-November for approval. Once approved, the Annual Plan becomes the basis for the subsequent year's annual budget.

Q. How are budgeted costs developed for specific capital projects and annuals?

A. Specific capital project budgeted costs are compiled using cost estimates developed through various resources, including recently completed projects of a similar nature, software models, adjusted for escalation factors, and established procurement contracts for external contractors, supply chain, and materials management. Specific capital projects are identified by New Hampshire engineering and operations groups and are individually reviewed by a group of New Hampshire Managers and Directors. The specific capital projects are evaluated based on the merits and needs for each proposed capital project. Capital projects with the most significant benefits or that address the most significant needs are selected for inclusion in the Annual Plan. Because the Annuals are recurring projects and programs, the Annuals' budgeted costs are typically developed based on historical

spending levels, adjusted for known and measurable changes that are expected in the subsequent year.

Q. What factors does the Company consider when evaluating the merits and needs of capital projects?

A. From an overall perspective, the Company's objective is to arrive at a capital budget that represents the optimal balance of executing capital investments necessary to maintain and improve the performance of the system, while assuring a cost-efficient use of the Company's limited resources. At the same time, Eversource must maintain a level of flexibility in the capital budget process to deal with contingencies that inevitably occur during the year. A variety of factors are considered during the evaluation process, including but not limited to, system conditions including resolving overloads, new customer additions, reliability improvements and initiatives, resource availability, and aging infrastructure needs. Together, specific capital projects and annuals make up the body of work that the Company expects to execute over the five-year period. Annuals, service to new customers, and load driven projects are considered necessary and included in the budget. Specific capital projects to improve reliability are evaluated based on anticipated impact on performance. Specific capital projects that address aging assets are prioritized based on a number of factors, including safety concerns, age of the asset, difficulty in maintaining the asset or in obtaining spare parts, and other similar considerations.

B. Capital Project Authorization Policy

Q. What is the Company's capital project authorization policy?

A. The Company evaluates each individual capital project in accordance with the Accounting Policy Standard 1, *Project Authorization Policy* ("APS 1"). In its initial request for permanent rates filed in this docket on May 28, 2019 (the "Initial Filing"), Attachment ELM-5 provided the version of APS 1 that was in effect for the capital projects placed in service in this third step adjustment. The purpose of APS 1 is to provide a framework to guide decision-making, evaluation and approval of all capital and reimbursable project spending. Within this framework, the Company is able to identify and plan key corporate spending initiatives; enable the evaluation of all major projects; and determine the allocation of corporate financial resources.

Capital projects subject to APS 1 include, but are not limited to, electric operations, real estate/facilities, customer care and information technology. The Company modified APS 1 in 2015 to adopt a common process for project authorization and funding across the Eversource Energy organization. The Company follows APS-1, as provided in Attachment ELM-5 to the Initial Filing and utilizes the PowerPlan® system as the repository for capital project authorization forms ("PAF"). A PAF is required where a specific capital project cost estimate is expected to exceed the threshold outlined in APS 1. PAFs are approved by the Company's management in accordance with the Delegation of Authority ("DOA"), a copy of which was provided in Attachment ELM-6 to the Initial Filing. This process is based on Eversource Energy's enterprise-wide project authorization process, which is centralized and standardized across the organization. As an additional measure, the

Company still conducts capital project reviews through a Capital Budget Review Committee ("CBRC") to monitor spending against the overall capital budget, which is further described below.

C. Capital Project Authorization Process

Q. Please describe the approval process for the Company's PAFs applicable to the proposed step adjustment.

A. Capital projects require a PAF to be submitted for approval to the senior manager of the relevant operating area in accordance with APS 1. The project sponsor, typically a project originator or a project manager, is responsible for preparing the necessary PAF documentation for approval. In addition, all PAFs are reviewed and approved by the Plant Accounting department to ensure proper capital and expense classification, in accordance with generally accepted accounting principles, and unit of property accounting. A PAF includes the following sections:

- Executive Summary: This section provides a high-level overview or scope of the project, why it should be undertaken and what, specifically, the requested funding will be used for. If the project received prior funding, the amount(s) and approval date(s) are to be noted along with a summary of current status.

- Project Costs Summary: This section provides a breakdown of the project costs by category such as labor, materials, outside services, indirect costs, etc. and depending upon the type of funding request (Initial/Partial/Full) may or may not include a detailed project estimate.

- Technical Justification: This section provides a detailed narrative about the project including a project need statement, objectives, scope, background/justification, business process/technical improvements, alternatives considered, project schedule summary, a list of anticipated risks, and any diagrams or images related to the project.

As discussed in previous testimony and responses to data requests, as part of a corporate-wide initiative to review and enhance the project lifecycle process, Eversource has adopted an incremental (or "staged") funding authorization process that ensures that each funding request has incorporated sufficient knowledge and detail as required to develop an estimate of appropriate precision. This process has been refined over time to include significant improvements in the estimating process, construction review, and design deliverables. The process has also been refined to require specific pieces of information at each funding stage to ensure a minimum standard of accuracy. Some examples of this information include specific progress deliverables for engineering, engineering checklists acknowledging deliverable completeness, documented site constructability reviews, environmental assessments, outage plans, and major equipment quotes. When available, construction and testing bids are desirable for development of a quality estimate with lower upside (or downside) risk.

Q. At what point in the project lifecycle do projects receive formal approval?

A. Projects may receive formal approval at several stages of the project lifecycle. There are three typical pre-construction project funding stages: initial, partial and full funding. It is not a requirement that every project receive each of these approval levels. Individual

funding strategy is determined on a case-by-case basis depending on project size or complexity. Upon receipt of any of these authorizations, the actual "Project" is funded, can open a work order and begin charging efforts to the project. Initial funding authorizations are typically employed when a system need is discovered but the scope of the solution is yet to be determined. The initial funding amount is generally used to develop scope, perform field surveys, conduct site visits and environmental assessments as required to prepare either a partial funding or full funding request. Partial funding authorizations are generally used to complete detailed engineering, permitting, construction feasibility review by construction experts, allow for the ordering of major equipment with long lead times, and lastly to secure the necessary information to prepare a full funding estimate and PAF. Prior to project construction commencement, with refined project cost estimates, projects are presented to the applicable Project Authorization Committee ("PAC") (either NH PAC for distribution line projects or EPAC for distribution substation projects) for full funding authorization. The PAC's meet at least monthly, normally bi-weekly, to review projects from an engineering, schedule, and cost perspective as well as reviewing any projects that may require supplemental funding. The PAC consists of a chairperson plus representatives from various disciplines including Engineering, Operations, Major Projects, Investment Planning, and Integrated Planning and Scheduling. Once the PAC has approved a project for funding, the PAF is then approved within the PowerPlan® system based on DOA approval limits, as shown in Attachment ELM-6 to the Initial Filing.

D. Capital Project Cost Control Procedures

Q. Once the PAF is approved, does the Company have measures in place to control costs as the projects are designed and completed?

A. Yes. The Company's APS 1 was established to allow for incremental project funding authorizations based upon the developmental stage of the project, which controls the amount of capital that can be expended on a project until the project is fully defined and most cost components have sufficient detail to secure quality estimates and a Full Funding pre-construction authorization.

From a project execution perspective, Eversource has solicited competitive pricing from a variety of qualified engineering, materials, construction and testing vendors forming the basis for Master Services Agreements, which ensure uniform and favorable terms and conditions. Additionally, for medium to large materials or project services contracts, Eversource solicits competitive bids whenever possible to ensure that the most cost-effective contracts are awarded, to the benefit of our projects. A rigorous contract change control process is in place to ensure that prior to approval, proposed contract changes requested by our vendors are in fact necessary for the proper development and execution of the project, clearly outside of the existing contract scope and have a fair and reasonable cost. Detailed project schedules and outage plans are developed and utilized to ensure timely, predictable execution with minimal delays.

Q. Does the Company have measures in place to monitor project costs and revise project funding authorizations in the event that costs increase as the projects are designed and completed?

A. Yes. Monthly capital project budget review meetings are held with the Capital Budget Review Committee ("CBRC"), which is led by the President of Eversource New Hampshire and includes all stakeholders of the annual plan, to discuss the status and cost of individual projects within the capital budget. Once the monthly accounting close has completed, a report with all active capital projects is sent to all project managers and stakeholders for their updates. Updates are provided by project managers and stakeholders regarding monthly and annual spending projections and any changes to authorization or project completion status. After all updates have been incorporated, an updated CBRC report is prepared for review at the monthly CBRC meeting. Each project is discussed with emphasis on project cash flows, authorization status, completion status, and any issues or challenges. After all projects are discussed and projections have been updated, a new annual capital spending projection is calculated and plans can be made to address any necessary changes. This meeting also provides New Hampshire leadership with the information necessary to make decisions on accelerating or decelerating certain projects as necessary to stay within the overall authorized capital budget, as developed and approved in the Annual Plan, while best supporting the needs of our customers. APS 1 requires the submission of a Supplement Request Form with revised cost and justification when it becomes likely that the project direct costs are expected to increase from the original authorized dollar amount in accordance with certain threshold criteria. For Distribution Operation projects up to $250,000, this threshold is an increase in direct costs of $25,000

or more. For Distribution Operation projects over $250,000, the threshold is 10 percent of direct costs. For Corporate Shared Services Projects from $500,000 to $10,000,000, the threshold is an increase of total authorized costs greater than 15 percent. In the same manner in which the original PAFs are approved through the PAC, the Supplement Request Forms are also reviewed by the appropriate PAC and, if approved, routed for approval in PowerPlan® in the same manner as the original PAF.

III. STEP ADJUSTMENT CAPITAL PROJECTS

Q. What is the scope of projects for which the Company is seeking to commence cost recovery in this third step increase, as provided in the Settlement Agreement?

A. The Company is seeking approval to commence cost recovery for the revenue requirement associated with $122.5 million of plant additions placed in service in calendar year 2021, as described below.

Q. What is your understanding of the Commission's standard for inclusion of plant investment in rate base?

A. It is our understanding that the Commission's long-standing standard for the inclusion of capital additions in rate base is that the capital expenditures must be prudently incurred, and the resulting plant must be "used and useful" in providing service to customers. A prudence review involves a determination of whether the utility's actions, based on all that the utility knew or should have known at the time, were reasonable and prudent in light of the circumstances. The Commission considers plant to be "used and useful" if the plant is in service and provides benefits to customers. As demonstrated below and in Attachment RDJ/DLP/JJD-1, the Company's capital additions placed in service in calendar year 2021 are consistent with the Commission's standard.

Q. Please explain how the Company has categorized its plant additions for purposes of the step adjustment.

A. As an initial matter, the Company has segregated all capital additions into three distinct categories for review purposes: (1) specific capital projects; (2) specific carryover capital projects; and (3) annual blanket projects and programs (Annuals). Each category of capital additions has distinct capital addition documentation requirements.

Q. Please explain how the Company defines specific capital projects.

A. Specific capital projects are projects where a stand-alone project is being constructed. Examples of these projects include new substations, new lines, and circuit conversions. Specific capital projects have defined start and end dates for construction with a defined project cost and may be managed by a project manager and have unique project names for the specific body of work to be executed. For purposes of project review as part of the step increase, the Company has segmented the specific capital projects into current and carryover categories. Current specific capital projects are projects that were not reviewed as part of the rate case and had a substantial portion of plant placed in service in 2021.

Q. Please explain how the Company defines carryover projects.

A. Carryover projects are projects that had a majority of the work orders placed in service prior to 2021. Therefore, the carryover 2021 plant additions are related to work that continued into 2021 or where there are adjustments made during the plant accounting closeout. In other words, carryover project costs are for projects that were in service and included as part of the prior rate case review in this docket and/or the first or second step adjustments but that have charges that have "carried over" into 2021. These projects are

now in service and being included in the calculation of the step adjustment in this filing. Carryover charges may also be credits (or reductions) to a capital project for adjustments that have been made in 2021.

Q. Please explain how the Company defines annual blanket projects.

A. Annual blanket projects are defined as projects that are high-volume and low dollar in nature. An annual blanket project funds a variety of activities intended to address a particular issue. For example, an annual blanket project addressing the issue of voltage outside regulatory limits may involve activities such as the placement of regulators or capacitors, the replacement of conductors, or other activities. Work orders for annual blanket projects are typically under $100,000 in direct costs. Examples of annual blanket projects are new services, capital tools, obsolescence and asset renewal, line relocations, and transformer purchases. These projects are funded at a consistent level from year to year and utilize the same project names each year.

Annual programs support a particular body of work and are typically lower in volume but higher in cost. An annual program funds the same type of work in many different locations, such as reject pole replacements (the work associated with this program is always pole replacements due to an inspection that finds the pole has decayed). Other examples of annual programs include oil-circuit breaker replacements, direct-buried cable replacements, vehicle purchases, and substation animal protection projects. These projects are typically funded at a consistent level from year to year but can vary depending on the nature of the work to be completed in the year. These projects also utilize the same project names each year.

Q. Please describe the documentation you are providing in support of the Company's step adjustment.

A. Attachment RDJ/DLP/JJD-1 identifies the capital projects placed in service in calendar year 2021 that are not currently in rate base. The attachment contains the following information:[1]

- Page 1 contains a summary of the 2021 plant additions by category.
- Pages 2-3 contain the list of projects identified as current specific capital projects. For each project, the associated plant account(s), 2021 plant in service amount, pre-construction authorization amount, any supplemental authorizations, and actual project life-to-date capital project costs through December 31, 2021 are provided. Dollar and percentage variances are calculated between: (1) the actual project life-to-date capital costs and the pre-construction authorized amount; (2) the last supplemental authorized amount and the pre-construction authorized amount; and (3) the actual project life-to-date capital costs and the last supplemental authorized amount. Also provided is an indicator of whether the project is considered final or still has expected charges in future years. An indicator of "106" means that one or more work orders within that project are either in FERC Account 107, *Construction Work in Progress ("CWIP")*, or FERC Account 106, *Construction Complete not Categorized ("CCNC")*. Work orders in FERC Account 107 are not in service as

[1] The following information is also available, if requested, on a project-by-project basis: Project Authorization Forms, Supplemental Request Forms, and work order cost detail summarized at the project level by cost category over the life of the project.

of December 31, 2021 and are not part of this step increase. Work orders in FERC Account 106 are in service as of December 31, 2021 and therefore are included in this step increase, but have not been through the completion, closeout and unitization process for accounting purposes. Projects with the 106 indicators can still accept charges. An indicator of "101" means that all of the work orders within the project are in FERC Account 101, *Plant in Service*. Work orders in FERC Account 101 have gone through the completion process from a project management perspective and plant accounting unitization process and, in general, should not be incurring any additional charges and can be considered final. The Company has provided a brief explanation for variances greater than $50,000 and ten percent when comparing the actual project life-to-date capital costs to the last authorized amount.

- Page 4 contains the list of projects identified as annual blanket projects and programs (annuals). For each annual, the associated plant accounts(s), 2021 plant in service amount, annual authorization amount, any supplemental authorizations, and 2021 costs are provided. Dollar and percentage variances are calculated between: (1) the calendar year 2021 costs and the annual authorized amount; (2) the last supplemental authorized amount and the annual authorized amount; and (3) the calendar year 2021 costs and the last supplemental authorized amount. The 2021 plant in service amounts can be for construction from the current year or construction performed in prior years and placed in service in the current year.

- Pages 5-6 contain the list of projects identified as carryover specific projects. For each project, the associated plant account(s), 2021 plant in service amount, pre-construction authorization amount, any supplemental authorizations, and actual project life-to-date capital project costs through December 31, 2021 are provided. Dollar and percentage variances are calculated between: (1) the actual project life-to-date capital costs and pre-construction authorized amount; (2) the last supplemental authorized amount and the pre-construction authorized amount; and (3) the actual project life-to-date capital costs and last supplemental authorized amount. Also provided is the 106 or 101 indicator. The Company has provided a brief explanation for variances greater than $50,000 and ten percent when comparing the actual project life-to-date capital costs to the last authorized amount.

Q. Please summarize the costs of the plant additions included in the step adjustment.

A. Table 1 below provides capital projects by category placed in service in 2021, excluding new business, included in the step adjustment:

Project Category	Plant Additions as of December 31, 2021
Specific Current Projects	$ 70,328,873
Annuals - Blanket Projects and Programs	$ 44,055,580
Specific Carryover Projects	$ 8,107,592
Total Plant Additions	**$ 122,492,045**

Q. Is the level of documentation provided in this filing similar to the documentation provided previously in this docket for the Company's permanent rate request and first/second step adjustment requests?

A. Yes. The scope of documentation is the same or similar to what was provided by the Company in support of its permanent rate request, and the first and second step

adjustments. However, in the Settlement Agreement, the Company agreed to a business process audit ("BPA"). As of the date of this filing, the BPA has not yet been completed. Therefore, the information being provided in this third step adjustment filing is consistent with the first and second step adjustment filings subject to modifications to address feedback from the BPA auditors to provide enhanced information with more transparency.

Q. Are all of the investments used and useful in providing service to customers?

A. Yes, all of the investments placed in service in calendar year 2021 are used and useful in the provision of service to Eversource customers.

Q. Were all of the costs for these investments prudently incurred?

A. Yes. As described earlier, the Company follows a comprehensive process for project authorization and cost-control in developing and implementing its capital program.

Q. Does this conclude your testimony?

A. Yes, it does.