

**STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION**

DE 22-030

**PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE D/B/A
EVERSOURCE ENERGY**

Petition for Approval of Third Step Adjustment

Order Approving Petition, As Modified

ORDER NO. 26,709

October 20, 2022

In this order, the Commission approves Eversource's revised third step adjustment request to recover an annual revenue requirement of \$8,928,092 associated with \$93,151,980 in plant additions placed in service in calendar year 2021 pursuant to the settlement agreement as approved in Order No. 26,443 in Docket No. DE 19-057. Recovery will be made through distribution rates on a service rendered basis beginning on November 1, 2022, with a nine-month recovery period to accommodate the Commission's review during this proceeding.

I. BACKGROUND

On May 2, 2022, Public Service Company of New Hampshire d/b/a Eversource (Eversource, or the Company) filed a petition, with supporting testimony and schedules, requesting approval of its third step adjustment to distribution rates based on calendar year 2021 capital spending by the Company. See Hearing Exhibit 1. This petition was made pursuant to the settlement agreement on permanent rates, which was approved by the Commission through Order No. 26,443 (December 16, 2020), in Docket No. DE 19-057. Among its provisions, the settlement agreement provided for three annual step increases to account for Eversource's plant placed in service in calendar years 2019, 2020, and 2021. The Commission approved the Company's step

increase proposals for calendar years 2019 and 2020 in Order No. 26,439 (December 23, 2020), and in Order No. 26,504 (July 30, 2021), respectively.

The petition and subsequent docket filings, other than any information for which confidential treatment is requested of or granted by the Commission, are posted on the Commission's website at

<https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-030.html>

On May 13, 2022, the New Hampshire Department of Energy (DOE) filed a motion to postpone the hearing in this matter to a later date than the June hearing date contemplated by the settlement agreement in Docket No. DE 19-057.

Subsequently, the Commission issued an order commencing an adjudicative proceeding on June 9, 2022, and scheduling a hearing in this matter on July 19, 2022. This order also requested that the DOE submit an audit report regarding the Company's step increase proposal by July 12, 2022, and propounded a record request on the Company, which provided its response on June 22, 2022. Hearing Exhibit 2.

On June 29, 2022, the DOE filed a motion to extend the filing deadline for its audit report until August 31, 2022, and requested that any Commission order regarding this matter be subject to the audit report's findings. In response, the Commission issued a procedural order on July 7, 2022, granting the DOE's request, and rescheduling the hearing for September 13, 2022. Eversource filed a motion for rehearing of that order on August 1, 2022, which the Commission denied on August 23, 2022. Order No. 26,670. The DOE filed its final audit report with the Commission on August 31, 2022, which presented a number of technical recommendations for adjustment. On September 7, 2022, Eversource filed a motion for confidential treatment of its unredacted response to Data Request TS 1-005, which was made in

response to a DOE inquiry, which provided confidential, competitive pricing information received in response to a Company request for proposals (RFP).

In response to a DOE letter indicating that the three hours allotted for hearing on September 13, 2022, would be insufficient, the Commission issued a procedural order rescheduling the hearing for September 20, 2022. The Commission also requested that the DOE provide a list of any recommended disallowances by September 16, 2022. The DOE provided its list of recommended disallowances on September 16, 2022.

At the September 20, 2022, hearing, the Commission propounded a number of record requests on the Company, which were memorialized in a September 21, 2022, procedural order. The Company provided responses to these record request filings made on September 29, 2022. *See* Hearing Exhibit 19.

To accommodate further review of this matter, the Commission scheduled a continued hearing for October 17, 2022, in a procedural order issued on October 6, 2022. The Company filed a motion to compel production of certain data responses by on October 10, 2022, to which the DOE filed a responsive motion, including a request to reschedule the October 17 hearing, on October 14, 2022. The Company objected to this DOE motion; the October 17 hearing was held as scheduled, and the Commission denied both the Company motion to compel and the DOE motion to reschedule from the bench at the hearing. Representatives of the Company and the DOE appeared at the October 17 hearing; there were no intervenors. Eversource withdrew its motion for confidential treatment at the October 17 hearing, having withdrawn the hearing exhibit material to which it pertained.

The DOE, in its September 16, 2022, letter, and at testimony provided at the September 20 and October 17 hearings, made recommendations for deferrals, or

disallowances, related to eight categories of projects included in the Company's step increase proposal. See Hearing Exhibit 18. The Company accepted two categories of recommended deferrals, relating to the Nashua Work Center Renovation project and the Millyard Substation Replacement. See Transcript of September 20, 2022 Hearing (Tr.) at 6; see also Eversource Letter of September 19, 2022 to Chairman Daniel Goldner, available here: https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-030/LETTERS-MEMOS-TARIFFS/22-030_2022-09-19_EVERSOURCE_LETTER-COMMISSION-9-20-22-HEARING.PDF

Eversource opposed the other categories of disallowance or deferral proposed by the DOE. Eversource did accept, and incorporated, a number of adjustments recommended by the DOE Audit Division in its audit report. See also Tr. at 30. Consequently, the Company presented a revised request for a revenue requirement increase of \$8,928,092 for \$93,151,980 in plant additions placed in service in calendar year 2021. See Eversource Attachment RR-001(A), filed on September 29, 2022, Page 1 of 6, available here: https://www.puc.nh.gov/Regulatory/Docketbk/2022/22-030/LETTERS-MEMOS-TARIFFS/22-030_2022-09-29_EVERSOURCE_ATT-RECORD-REQUEST-RESPONSES.PDF

For its revised \$8,928,092 step increase in its revenue requirement, the Company calculated a rate impact on a typical residential customer using 600 kilowatt hours per month of \$1.28 per month, or a 0.6 percent increase in distribution rates. Hearing Exhibit 19 at Page 2. (These figures reflect a nine-month recovery period beginning on November 1, 2022). The revenue requirement would be recovered from customers on a nine-month rate schedule through July 31, 2023, after which rates charged to customers would revert to a 12-month rate schedule beginning on August

1, 2023, and going forward. The monthly rate would thereby be reduced after August 1, 2023. Hearing Exhibit 19 at Pages 1-2.

II. COMMISSION ANALYSIS

Step adjustments are a mechanism the Commission has approved for limited use between rate cases to allow a utility to collect additional revenue on investments that are generally non-revenue producing and are made to improve safe and reliable service. Step adjustments are generally limited in scope and allow recovery for investments similar to those that have been reviewed in the underlying rate case that established the step adjustment provision. Utilities have the burden of showing that capital investments included in step adjustments are prudent, in service, and used and useful. *See Public Service Company of New Hampshire d/b/a Eversource Energy*, Order No. 26,504 at 5 (July 30, 2021). In order to approve this step increase, the Commission must determine whether the investments included in the calculation of the step increase are prudent, used, and useful under RSA 378:28. *Id.*

The third step adjustment recovery disallowances recommended by DOE and contested by Eversource relate to costs stemming from the Emerald Street Substation, Pad-Mount Transformer in Goffstown, general purchases of transformers, annual reliability projects, projects undertaken to maintain voltage on the distribution system, and the replacement of a submarine cable (supporting information for which was presented in Hearing Exhibits 5-10, respectively). *See* September 16, 2022, letter from DOE presented in Hearing Exhibit 18. The DOE supported these recommended step disallowances through testimony offered on the stand at hearing. The DOE testified that they did not find the evidence in the record offered by the Company as sufficient to support a determination that these costs were prudently incurred. The DOE further testified that throughout their review process, they did not find that the Company

adequately explained reasons for cost overruns or project changes. For the projects supported by the Company, in part through Hearing Exhibits 6-9, DOE primarily based their recommendation on the fact that the final costs for these projects were higher than the Company's budgeted estimates. For Exhibit 5, the Emerald Street Substation project, the DOE recommended excluding these costs from the third step adjustment and deferring to the Company's next rate case because in addition to costs exceeding initial budgets, the project alleviated system concerns related to load growth and the DE 19-057 settlement agreement excluded "growth-related" projects from step adjustments. See Hearing Exhibit 16 at Bates Pages 20-21 (Section 10.1(c)). As related to Exhibit 10, DOE expressed uncertainty that the Company had adequately accounted for a previous disallowance as ordered by the Commission in the prior, second step adjustment.

Having reviewed the record before us, both through evidence in the record and testimony at hearing, we find the Company's revised third step adjustment request to be in the public interest under the circumstances. We support the approach agreed to by Eversource and the DOE relating to the deferral of the Nashua Work Center Renovation and Millyard Substation Replacement projects to the Company's next full distribution rate case. We are not compelled to accept DOE's recommendations relating to the other categories of projects or expenditure that it cited in its recommendations presented in Hearing Exhibit 18, and in its testimony presented at hearing. In our review of the record evidence, we find that Eversource has generally provided quite detailed analyses regarding the drivers of cost overruns in its capital projects. *See, e.g.*: Hearing Exhibit 5 (Emerald Street Substation); Hearing Exhibit 6 (Pad-Mount Goffstown); Hearing Exhibit 7 (Purchase of Transformers); Hearing Exhibit 8 (Annual Reliability); and Hearing Exhibit 9 (Maintain Voltage). With respect to the

Emerald Street Substation, while the company has experienced some load growth related to this infrastructure, such growth was limited, aging infrastructure served as a significant factor in the need for investment, and the project was specifically noted as eligible for recovery within a step adjustment per the settlement agreement in Docket No. DE 19-057. *See* Hearing Exhibits 5 and 16. After examining Exhibit 10 as related to accounting for the submarine cable, we are satisfied with the Company's representation that the disallowance has been appropriately derived. *See* Hearing Exhibit 10.

We do acknowledge and express concern for the issues raised by the DOE regarding the Company's collaboration during the review process and need to apply lessons learned from this step adjustment cycle in its future budgeting and planning processes. Hearing Exhibit 6, TS 2-001(B), "Lessons Learned." We encourage Eversource to be more proactive in its engagement with the DOE from the outset of the step adjustment petition process, including providing clarifying information such as "bullet lists" explaining technical aspects of the petition, engaging more proactively with DOE staff to explain their petition and the record evidence, and offering more granular detail in its budget supplementation internal review documents, whenever possible.

Therefore, we find the expenditures which are the subject of the Company's petition, as modified by the Company in their September 19, 2022, letter and Hearing Exhibit 19, as adopted through its oral testimony, to be prudent, used, and useful. We further find the resulting rates to be just and reasonable, pursuant to RSA 374:1, RSA 374:2, RSA 378:7 and RSA 378:28. We approve a 9-month period of recovery of the step adjustment rates, for November 1, 2022, through July 31, 2023, based upon a revenue requirement figure of \$8,928,092, with adjustment to a 12-month rate

schedule on and after August 1, 2023, as outlined by Eversource in Hearing Exhibit 19.

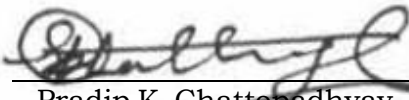
Based upon the foregoing, it is hereby


ORDERED, that the step adjustment to be added to distribution rates, with an annual revenue requirement of \$8,928,092 as calculated by Eversource in its revised 2022 step increase petition filed pursuant to the Settlement Agreement in Docket No. DE 19-057, as approved by Order No. 26,443, is hereby APPROVED, subject to reconciliation; and it is

FURTHER ORDERED, that Eversource is authorized to implement the rates approved herein on a service-rendered basis effective November 1, 2022, for a nine (9) month collection period through July 31, 2023; and that on and after August 1, 2023, Eversource shall collect the rates on a 12-month schedule, with monthly rates adjusted downward accordingly, as delineated by the Company in Hearing Exhibit 19; and it is

FURTHER ORDERED, that Eversource shall file tariff pages as required by N.H. Code Admin. Rules Part Puc 1603, conforming to this order within 15 days of the date hereof.

By order of the Public Utilities Commission of New Hampshire this twentieth day of October, 2022.


Pradip K. Chattopadhyay
Commissioner


Carleton B. Simpson
Commissioner

Service List - Docket Related

Docket#: 22-030

Printed: 10/20/2022

Email Addresses

ClerksOffice@puc.nh.gov
Energy-Litigation@energy.nh.gov
jjdevirgilio@gmail.com
paul.b.dexter@energy.nh.gov
jay.e.dudley@energy.nh.gov
thomas.c.frantz@energy.nh.gov
bobg.rivercg@gmail.com
nhregulatory@eversource.com
elizabeth.r.nixon@energy.nh.gov
ocalitigation@oca.nh.gov
jralston@keeganwerlin.com
howard@energytactics.com
mark.p.toscano@energy.nh.gov
willoughbyconsulting@gmail.com