

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 24-070
REQUEST FOR CHANGE IN RATES

DIRECT TESTIMONY OF
Leanne M. Landry, James J. Devereaux and
Brian Dickie

Capital Planning and Additions

On behalf of Public Service Company of New Hampshire
d/b/a Eversource Energy
June 11, 2024

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JAMES J. DEVEREAUX AND BRIAN DICKIE
PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY
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1 **I. INTRODUCTION**

2 *Leanne M. Landry*

3 **Q. Please state your full name and business address.**

4 A. My name is Leanne M. Landry. My business address is 247 Station Drive, Westwood,
5 Massachusetts 02090.

6 **Q. By whom are you employed and in what capacity?**

7 A. I am the Director, Investment Planning for Eversource Energy Service Company (“ESC”).
8 In this capacity, I have direct oversight of the financial support function for the Operations
9 Group of Public Service of New Hampshire (“PSNH” or the “Company”), as well as
10 NSTAR Electric Company d/b/a Eversource Energy (“NSTAR Electric) and Connecticut
11 Light & Power Company (“CL&P”). I also work closely with the Director, Investment
12 Planning, Gas supporting the Gas Operations Group of NSTAR Gas Company (“NSTAR
13 Gas”), Yankee Gas Company (“Yankee”), and Eversource Gas Company of Massachusetts

1 (“EGMA”) each d/b/a Eversource Energy. In this capacity, I am responsible for developing
2 and monitoring business processes consistent with corporate financial and accounting
3 policies for key operations units. In addition, I oversee the development of accounting and
4 budget processes for capital-project cost oversight, including tracking of current and
5 projected costs and implementation of cost-control measures.

6 **Q. Please briefly summarize your educational background and business experience.**

7 A. I graduated from Bentley College (now Bentley University) in 1990 with a Bachelor of
8 Science degree in Accounting. I earned a Master of Business Administration from Bentley
9 College in 2002, with a concentration in Finance. In 2009, I completed a program with
10 Worcester Polytechnic Institute and received an Operations Management Leadership
11 Certificate. I am also a Certified Public Accountant in the Commonwealth of
12 Massachusetts. Upon graduation from Bentley, I was hired by Coopers & Lybrand
13 (“C&L”) (now PricewaterhouseCoopers) as an auditor within its Business Assurance
14 practice. While at C&L, I participated in and provided leadership to the audits of a variety
15 of companies, including public utilities.

16 I was hired at Boston Edison Company, the Company’s predecessor, as an internal auditor
17 in 1994. Subsequent to my time in Internal Audit, I have held roles of increasing
18 responsibility in Strategic Planning, Annual Planning and Budgeting, merger integration
19 support and Budgeting and Forecasting. In 2003, I assumed the role of Director,
20 Investment Planning and in 2008 my role expanded to include responsibility for performing
21 that role for the administrative support to the Electric Operations group. I was named to

1 my current position in 2012, following the merger of NSTAR and Northeast Utilities. In
2 January of 2014 my responsibilities were expanded to include Western Massachusetts. In
3 March 2015 my responsibilities were expanded to include CL&P and PSNH.

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

6 A. Yes, I have previously testified before the Commission in support of the Company's step
7 adjustments in DE 19-057.

8 **Q. Have you previously testified before any other regulatory body?**

9 A. Yes, I have testified before the Massachusetts Department of Public Utilities and the
10 Connecticut Public Utilities Regulatory Authority numerous times, including base
11 distribution rate proceedings for the Company's affiliates.

12 *James J. Devereaux*

13 **Q. Please state your full name and business address.**

14 A. My name is James J. Devereaux. My business address is 780 North Commercial Street,
15 Manchester, New Hampshire.

16 **Q. By whom are you employed and in what capacity?**

17 A. I am employed by ESC as Manager of Budgets and Investment Planning. As the Manager
18 of Budgets and Investment Planning, I am primarily responsible for the financial reporting,
19 analysis and oversight of the Company's capital and O&M programs. I also monitor capital
20 projects throughout their life cycle and provide reporting on a monthly basis to review costs

1 and identify projects that need subsequent funding, following the projects originally pre-
2 construction authorization approvals.

3 **Q. Please briefly summarize your educational background and business experience.**

4 A. I graduated from St. Michael's College with a Bachelor of Arts degree in Business
5 Administration in 1984 and from Bentley University with a Master of Business
6 Administration degree in 1992. I have worked for the Company since 1985 primarily in
7 the Gas Organization in Massachusetts with various roles of increasing responsibility
8 including Director of Gas Service and Supply from 2002 to 2011. Since then, I have
9 worked in Investment Planning in Massachusetts until assuming my current position in
10 2019.

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

13 A. Yes, I have previously testified before the Commission in support of the Company's step
14 adjustments in DE 19-057.

15 **Q. Have you previously testified before any other regulatory body?**

16 A. Yes, I have previously testified before the Massachusetts Department of Public Utilities
17 ("MDPU").

18 ***Brian Dickie***

19 **Q. Please state your full name and business address.**

20 A. My name is Brian Dickie. My business address is 780 North Commercial Street,
21 Manchester, New Hampshire.

1 **Q. By whom are you employed and in what capacity?**

2 A. I am employed by Eversource Energy as Vice President New Hampshire Electric System
3 Operations. In my role, my primary responsibility is management of New Hampshire
4 Transmission and Distribution (“T&D”) Grid operations.

5 **Q. Please briefly summarize your educational background and business experience.**

6 A. I graduated from the University of New Hampshire with a Bachelor of Science in
7 Engineering Technology and from Worcester Polytechnic Institute with a Master’s in
8 Electrical and Computer Engineering. I am a licensed professional engineer in the state of
9 New Hampshire. I have held various positions with Eversource over the last 35 years from
10 Fossil/Hydro Operations to distribution engineering and system planning and engineering
11 management. In 2015, I was promoted to Director of System Operations responsible for
12 transmission and distribution grid operations, outage management operations, and the
13 troubleshooter linemen department. In 2021, I was promoted to my current position as
14 Vice President of New Hampshire Electric System Operations.

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

17 A. Yes, I have sponsored testimony before the Commission in the 2017 Reliability
18 Enhancement Program Reconciliation and Request for Program Continuation, DE 09-035.

19 **Q. Have you previously testified before any other regulatory body?**

20 A. No, I have not previously testified before any other regulatory body.

1 **Q. What is the purpose of your joint testimony?**

2 A. The purpose of our joint testimony is to present and support the project documentation
3 associated with the Company's historical capital additions from the time of the last step
4 increase in 2022 through December 31, 2023. Our joint testimony also presents and
5 supports the project documentation for capital additions associated with new business
6 projects and other capital additions since the Company's last rate case review in Docket
7 No. DE 19-057 that have been placed into service but were not included in the Company's
8 three step adjustment filings submitted in 2020, 2021 and 2022.

9 We are also providing information regarding the Company's capital approval and cost
10 control process. Our joint testimony describes enhancements to our capital program since
11 the Company's last rate case review in Docket No. DE 19-057.

12 Our testimony and supporting documentation will show that the capital investments
13 undertaken by PSNH to build and improve system infrastructure and to establish business
14 systems and facilities are used and useful in providing service to customers, and that the
15 costs incurred in connection with these investments were incurred reasonably and in good
16 faith.

17 An additional purpose of our joint testimony is to present a proposal to include 2024 capital
18 additions for inclusion in permanent rates effective August 1, 2025.

19 **Q. Please describe how your joint testimony is organized.**

20 A. In addition to this introductory section, our testimony is organized, as follows:

- 1 • Section II discusses the Company’s capital planning and approval process and
- 2 describes how capital project budgets are developed, as well as the Company’s cost
- 3 control strategies;

- 4 • Section III discusses the Company’s historical capital additions and includes a
- 5 description of the major projects in each of the main categories. Section III also
- 6 describes the supporting exhibits and documentation provided to support these
- 7 investments;

- 8 • Section IV discusses the Company’s proposal to include the cost of 2024 completed
- 9 capital additions in permanent rates, effective August 1, 2025; and

- 10 • Section V provides the conclusion.

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

12 A. Yes, we are presenting five attachments in support of our joint testimony:

Attachment Designation	Purpose/Description
Attachment ES-ADDITIONS-1	Summary of PSNH Capital Additions for 2019-2023
Attachment ES-ADDITIONS-2	Chronological List of Projects/Programs/Annuals /Carryover projects and variance analysis (most recent authorization to final project cost): (a) 2019 (new business projects) (b) 2020 (new business projects) (c) 2021 (new business projects) (d) 2021 (projects not included in step adjustment) (e) 2022 (all in service capital) (f) 2023 (all in service capital)
Attachment ES-ADDITIONS-3	Project Documentation for projects listed in Attachment ES-ADDITIONS-2: (a) 2019 (new business projects) (b) 2020 (new business projects)

	(c) 2021 (new business projects) (d) 2021 (projects not included in step adjustment) (e) 2022 (all in service capital) (f) 2023 (all in service capital)
Attachment ES-ADDITIONS-4	Capital Project Authorizations Policies (a) Pre-2022 (b) Post-2022
Attachment ES-ADDITIONS-5	Delegation of Authority Policy (a) Effective June 29, 2018 (b) Effective April 16, 2021 (c) Effective December 31, 2021

1 **II. CAPITAL APPROVAL PROCESS**

2 **Q. What is the Company’s policy for capital project authorization?**

3 A. The Company evaluates all capital projects in accordance with a Project Authorization
4 Policy (“PAP”). Attachment ES-ADDITIONS-4(a) provides the PAP in effect prior to
5 2022 and Attachment ES-ADDITIONS-4(b) provides the current version of the PAP.

6 The purpose of the PAP is to provide a framework to guide decision-making, evaluation
7 and approval of all capital and reimbursable project spending. Within this framework, the
8 Company is able to identify key corporate spending initiatives; enable the evaluation of all
9 major projects; and prioritize the utilization of corporate financial resources. Capital
10 projects subject to the PAP include, but are not limited to, electric and gas operations, real
11 estate/facilities, customer care and information technology.

12 Consistent with the PAP, capital project authorizations are performed in accordance with
13 the Delegation of Authority policy. Attachment ES-ADDITIONS-5(a) – (c) contain the
14 Delegation of Authority policies effective June 29, 2018; April 16, 2021; and,
15 December 31, 2021, respectively. For monitoring and tracking of project authorizations,

1 the Company primarily utilizes the PowerPlan® system as the repository for
2 authorizations.

3 Project Authorization Forms (“PAFs”) are required where a specific capital project cost
4 estimate is expected to exceed certain cost thresholds. Prior to 2022, for capital projects
5 with a direct cost estimate below \$100,000, authorization was granted via the annual
6 program blanket approval that occurs as part of the capital plan book review by the
7 Company’s Board of Directors. For capital projects with a direct cost estimate above
8 \$100,000, the project must be approved consistent with the PAP and the Delegation of
9 Authority. As part of the approval process, capital projects exceeding the threshold are
10 assigned a specific project identification number and a PAF must be completed.

11 **Q. Please describe the revisions to the PAP?**

12 A. The Company has revised the PAP and supplemental funding requirements effective
13 January 1, 2022. In this revision, the Company updated wording to clarify requirements
14 and expectations of the PAP. Specifically, the Company has clarified the Subsidiary Board
15 approval, expanded preliminary projects to include Initial Funding projects and Partial
16 Funding projects, refined the classification of technology projects, and revised the cost
17 thresholds for project authorizations and Supplemental Request Forms.

18 **Q. Please describe the recent policy revisions related to the Subsidiary Board approval.**

19 A. The Company has included a provision that all Subsidiary Board documentation must be
20 reviewed by the Director of Investment Planning and the Director of Budgeting and
21 Financial Analysis prior to routing for approval. This change enhances management

1 oversight of cost containment by requiring further analysis and review of cost changes and
2 risks prior to Subsidiary Board review and approval.

3 **Q. What are the recent policy revisions with regards to project classifications?**

4 A. The Company has removed the definition of preliminary projects and refined this by
5 including two additional phases of approval for use in certain cases: Initial Funding and
6 Partial Project Funding. Initial Funding provides funding for early project development
7 such as schedule initiation, high level scope development and preliminary engineering
8 activities. Partial Funding provides funding for project engineering, siting and permitting
9 strategies, environmental surveys, risk analyses, procurement planning, construction and
10 outage planning or similar work. This change is critical because, in some cases, the full
11 scope of an operations project may not be known but funding authorization is required to
12 initiate the necessary planning stages. Authorization in these cases is designed to support
13 initiation and the planning stage activities.

14 This change also divides the preliminary stage of a project into two separate, distinct
15 phases, allowing for increased cost oversight of capital project planning. This provides the
16 Company the ability to control the specific costs used for both project development and
17 project engineering strategies separately. Initiating a PAF at each of these defined stages
18 is important to monitor spending and enhance cost containment.

19 The Company has also added a clause that technology projects should be classified by their
20 sponsoring business area and may be operations or corporate shared services with the

1 requirement that these projects follow authorization policies and apply Delegation of
2 Authority levels for information technology and the sponsoring business.

3 **Q. Please explain the reason for requiring the classification of technology projects.**

4 A. Requiring the classification of technology projects extends the approval process to
5 necessitate a PAF for these projects within operations as well as corporate shared services.
6 As technology progresses, there are increased opportunities for the Company to utilize
7 these technological advances on an operations level outside of a corporate shared service.
8 By requiring a PAF for technology projects at the operations level, the Company is
9 preparing for this shift and the influx of more technology projects separate from those
10 within corporate shared services. This will promote cost control and containment of future
11 technology projects within the Company.

12 **Q. Please describe the Company's revisions to the cost thresholds for PAFs and**
13 **Supplemental Request Forms.**

14 A. The Company's PAP effective as of January 1, 2022 standardized the PAF threshold
15 amount of \$500,000 in total costs for all affiliates.

16 For Supplemental Authorizations, the new thresholds requiring a Supplemental Request
17 Form are as follows:

- 18 ▪ For projects \$500K to \$16.5M – An increase in total authorized cost > 15%,
19 or;
- 20 ▪ For projects > \$16.5M – An increase in total authorized cost > \$2.5M.

1 Increasing the Authorization and Supplemental Request Form cost thresholds and
2 combining the criteria for all distribution, transmission and corporate shared services
3 projects simplifies the current process and increases efficiency related to the project review
4 process. The Company's PAP thresholds have been in existence for a significant amount
5 of time with no significant changes. Project expenses have increased due to inflation and
6 rising material costs, necessitating a higher cost threshold to avoid the need for the review
7 and approval of Authorization and Supplemental Request Forms on a significant number
8 of smaller projects.

9 In addition to the PAP approvals, the Company has strong procurement processes and cost
10 review oversight of payroll and invoicing to ensure strong controls and cost oversight
11 processes in the day-to-day operations. The Company carefully reviews and monitors all
12 project costs, regardless of size, and seeks to implement appropriate cost containment
13 practices.

14 **Q. What are the phases of the Company's project planning process?**

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

17 **Q. Describe the Five-Year Strategic Plan process?**

18 A. The Company's project-authorization process starts with a mid-year meeting of the
19 business planning group (the "Planning Group"). The Planning Group meets with New
20 Hampshire senior management to review potential capital spending over the upcoming

1 five-year period and to develop a strategic plan (the “Strategic Plan”) for presentation to
2 the Eversource executive leadership team for approval.

3 During this time there are several meetings, discussions and reviews led by the Planning
4 Group. Each operating area presents its capital spending and resource requirements to the
5 Planning Group. The Planning Group uses this analysis to develop the five-year Strategic
6 Plan with capital spending levels and resource requirements that balance these financial
7 and performance targets. The Strategic Plan is then presented to senior management for
8 approval. Once approved, the Strategic Plan is used as the foundation for the annual
9 planning process.

10 **Q. Describe the Annual Plan process?**

11 A. The second phase of the capital project planning process begins with the annual planning
12 process, which initiates over the summer and continues through the end of the year with a
13 series of meetings (“Business Plan Meetings”). The Business Plan Meetings presents
14 specific capital projects and the annual blanket projects and programs for the upcoming
15 year identified for inclusion in the Annual Plan. During the Business Plan Meetings, the
16 specific capital projects and annual blanket projects and programs are reviewed by the
17 Operations leadership team and modified as needed to address any emergent system
18 concerns. Once completed, the Annual Plan is then presented to the Eversource executive
19 leadership team in October-November timeframe for approval. Once approved, the Annual
20 Plan becomes the basis for the subsequent year’s annual budget.

1 **Q. How are budgets developed for specific capital projects?**

2 A. Specific capital project budgeted costs are compiled using cost estimates developed
3 through various resources, including recently completed projects of a similar nature,
4 software models, adjusted for escalation factors, and established procurement contracts for
5 external contractors, supply chain, and materials management. Specific capital projects
6 are identified by New Hampshire engineering and operations groups and are individually
7 reviewed by a group of New Hampshire Managers and Directors. The specific capital
8 projects are evaluated based on the merits and needs for each proposed capital project.
9 Capital projects with the most significant benefits or that address the most significant needs
10 are selected for inclusion in the Annual Plan. Because the annual blanket projects and
11 programs are recurring, their budgeted costs are typically developed based on historical
12 spending levels, adjusted for known and measurable changes that are expected in the
13 subsequent year.

14 **Q. How does the Company prioritize capital projects?**

15 A. From an overall perspective, the Company's objective is to arrive at a capital budget that
16 represents the optimal balance of executing capital investments necessary to maintain and
17 improve the performance of the system, while assuring a cost-efficient use of the
18 Company's limited resources. At the same time, the Company must maintain a level of
19 flexibility in the capital budget process to deal with contingencies that inevitably occur
20 during the year. A variety of factors are considered during the evaluation process,
21 including but not limited to, aging infrastructure, system conditions including resolving

1 overloads, new customer additions, reliability improvements and initiatives, and resource
2 availability. Annual blanket projects and programs, service to new customers, and load
3 driven projects are considered necessary and included in the budget. Specific capital
4 projects to improve reliability are evaluated based on anticipated impact on performance.
5 Specific capital projects that address aging assets are prioritized based on a number of
6 factors, including safety concerns, age of the asset, difficulty in maintaining the asset or in
7 obtaining spare parts, and other similar considerations. The portfolio of projects is
8 ultimately evaluated by the Company's senior executives. Multi-year funding for major
9 projects is also reviewed through the annual budgeting process.

10 **Q. Please describe the approval requirements for the Company's capital project**
11 **authorizations.**

12 A. Projects prioritized for inclusion in the budget require a request for project authorization to
13 be submitted for approval to the senior manager of the relevant operating area in
14 accordance with the PAP and Delegation of Authority policy. The project sponsor,
15 typically a project originator or a project manager, is responsible for preparing the
16 necessary PAF for approval. As part of the annual budget process, each operating area
17 submits a budget encompassing the requests for project authorization (although project
18 authorizations may be granted throughout the year as circumstances warrant). The
19 proposed operating area budget must conform to the overall budget amount set by the
20 senior executives. In addition, all PAFs must be reviewed and approved by the Plant
21 Accounting department to ensure proper capital and expense classification, and prior to the
22 project being placed in service, Plant Accounting reviews the unit of property accounting.

1 As previously discussed, projects are authorized by the Company's management in
2 accordance with the Company's Delegation of Authority based on the PAF. A PAF is
3 required where a specific project's estimated total cost is above the threshold.

4 As described below in Section III of our testimony, the attachments accompanying our
5 testimony list the Company's capital additions and include the PAF cost estimates, the total
6 project life to date spending, and explain the reasons for any variances between the PAF
7 cost estimate to actual costs.

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

9 A. Projects may receive formal approval at several stages of the project lifecycle. As
10 discussed above, there are two typical pre-construction project funding stages: initial and
11 partial funding, followed by pre-construction authorization/full funding approval. Except
12 for the pre-construction authorization/full funding approval, every project is not required
13 to receive initial and partial approval levels. Individual funding strategy is determined on
14 a case-by-case basis depending on project size or complexity. Upon receipt of any of these
15 authorizations, the actual "project" is funded and a work order may be opened. Initial
16 funding authorizations are typically employed when a system need is discovered but the
17 full scope of the solution is yet to be determined.

18 Prior to project construction commencement, with refined project cost estimates, projects
19 are presented to the applicable Project Authorization Committee ("PAC"), which is either
20 NHPAC for distribution line projects or the Eversource Project Authorization Committee
21 ("EPAC") for distribution substation projects, for pre-construction authorization/full

1 funding authorization. The EPAC scrutinizes and approves substation projects for all three
2 electric companies and includes transmission projects, as well. The PACs each meet at
3 least monthly (normally bi-weekly) to review projects from an engineering, schedule and
4 cost perspective, as well as to review any projects that may require supplemental funding,
5 following pre-construction authorization/full funding. The PAC consists of a chairperson
6 plus representatives from various disciplines including Engineering, Operations, Major
7 Projects, Investment Planning, and Integrated Planning and Scheduling. Once the PAC
8 has approved a project for funding, the PAF is then approved within the PowerPlan system
9 based on Delegation of Authority approval limits.

10 **Q. What is the process for adjusting the initial budget/pre-construction authorization**
11 **approved for a particular project?**

12 A. To the extent that the actual total project cost exceeds or is identified to exceed the
13 pre-construction authorization/authorized budgeted amount, a Supplemental Request Form
14 is prepared and submitted for approval by management. The project manager and project
15 originator are responsible for submitting a supplementary authorization to the extent that:
16 (1) changes to the scope of a project will affect the cost of the project; or (2) the project is
17 expected to exceed its approved pre-construction authorization/fully funded authorized
18 budget amount.

19 A Supplemental Request Form must be prepared if total costs exceed the thresholds in the
20 PAP. In addition, the Vice President, Financial Planning and Analysis or a designee must

1 approve all Supplemental Request Forms for projects with total cost increases of \$1 million
2 and above.

3 The requirement to submit requests for subsequent incremental funding through a
4 supplemental authorization is designed to keep the Company's senior managers apprised
5 of the cost drivers relating to projects in development. By maintaining active oversight for
6 projects requiring supplemental authorizations, management is in a position to analyze
7 whether there are steps that can be taken both in the short-term and long-term to contain
8 costs and most effectively and efficiently deploy the Company's available resources.
9 Please note that Annual Programs PAF levels are based on historical costs hence a true-up
10 process is undertaken at year end resulting in supplemental funding for those programs that
11 have exceeded their historical levels. Supplemental authorizations follow the same project
12 routing for approval as do the original PAFs.

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

15 A. Yes. The Company conducts a detailed, multi-tiered capital-planning process to control
16 costs and manage projects to the established budget parameters. The primary vehicle
17 employed by the Company for cost-control purposes on capital projects are the monthly
18 "Work Plan" session and monthly Project Review meeting which is conducted by senior
19 management to review the scope, size, design and status of each approved project to
20 determine if changes are required to the originally approved project that will result in
21 adjusted cost estimates. These cost adjustments may be related to necessary changes in
22 project design, changes in the cost of raw materials, or other factors that affect the estimated

1 costs of capital projects as the projects are being planned, designed and developed. The
2 Work Plan meetings also provide the opportunity to determine if projects that have been
3 included in a capital budget should be altered or delayed based on the most recent system
4 and cost information available. Where it is determined that changes to the capital plan or
5 budgeted amounts may be necessary, project managers submit their recommendations to
6 senior management for review and approval. As a result, this process affords management
7 a high level of control over ongoing and planned capital projects.

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

19 The Company has a robust cost review and approval system in place. In addition to the
20 capital review process outlined below, at the time of processing, all timesheets are reviewed
21 and approved by employee managers on a weekly and bi-weekly basis. In addition, all

1 invoices and material requisitions are reviewed and approved in accordance with the
2 Delegation of Authority. In addition, the Company maintains rigorous oversight over the
3 costs charged to each work order. Each month, the project manager, along with an analyst,
4 reviews the costs charged to the work order(s) to ensure that the costs are valid and
5 appropriately charged to the work order. The project manager and the analyst undertake a
6 thorough review of all of the invoices charged to the work order(s) to ensure that the
7 invoices and associated costs are valid. The project manager will confirm the validity of
8 third-party contractor and vendor invoices charged to a particular job order(s) and,
9 whenever appropriate, will reject the invoice as improper or require changes prior to
10 approval.

11 The project manager and analyst will also review labor reports to ensure that employee
12 time is properly charged to the work order(s). In the event that the project manager and
13 analyst determine that an employee's time should not have been charged to a particular
14 work order, the analyst will make a journal entry or request a time sheet amendment to
15 charge the employee's time to the proper work order.

16 This careful scrutiny of the costs charged to capital work orders enables the Company to
17 maintain tight control over capital expenditures and to ensure that every effort is made to
18 provide customers safe and reliable service at a reasonable cost. The above process applies
19 to confirming that costs are appropriately and accurately charged to each capital project
20 and demonstrates the discipline the Company maintains in the management of costs. The
21 level of scrutiny applied to cost management enables the Company to identify opportunities

1 to implement cost reduction and/or efficiency measures that can be incorporated into the
2 Strategic Plan. In addition to the rigorous cost oversight and control process, the Company
3 implements a process for regular and routine project management and oversight activities
4 to monitor for scope or budget creep relative to authorized levels of expenditures through
5 its Project Review Meetings to mitigate any cost over-runs on a project specific basis, as
6 well as for the portfolio of investments overall. This allows for a more in-depth review of
7 the financial performance on the projects.

8 The Company's cost containment measures are typically implemented across all business
9 units through the annual budget process described above. As part of the annual process the
10 Company sets budget targets that are designed to ensure adequate resources to meet internal
11 and external service requirements and objectives, while also motivating initiatives for cost
12 reduction. The Company views that significant opportunities exist and that these
13 opportunities can be realized using tightly controlled budgeting processes that the
14 Company has successfully employed over time. In that regard, the Company does not use
15 a "top-down" approach to identify and achieve cost reductions and the opportunity does
16 not typically result from large, one-off changes to operations. Instead, the Company drives
17 cost reductions from the ground up. To that end, the Company sets goals for O&M cost
18 reductions each year and requires each business unit to propose an annual unit-specific
19 budget designed to contribute to the achievement of those goals while meeting service
20 expectations both internally and externally. This model has produced significant
21 opportunities for cost containment on an aggregated basis across all business units.

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

4 A. Yes. Monthly capital project budget review meetings are held with the Capital Budget
5 Review Committee (“CBRC”), which is led by the President of Eversource New
6 Hampshire and includes all stakeholders of the Annual Plan, to discuss the status and cost
7 of individual projects within the capital budget. Once the monthly accounting close has
8 completed, a report with all active capital projects is sent to all project managers and
9 stakeholders for their updates. Updates are provided by project managers and stakeholders
10 regarding monthly and annual spending projections and any changes to authorization or
11 project completion status. After all updates have been incorporated, an updated CBRC
12 report is prepared for review at the monthly CBRC meeting. Each project is discussed with
13 emphasis on project cash flows, authorization status, completion status, and any issues or
14 challenges. After all projects are discussed and projections have been updated, a new
15 annual capital spending projection is calculated and plans can be made to address any
16 necessary changes. This meeting also provides New Hampshire leadership with the
17 information necessary to make decisions on accelerating or decelerating certain projects as
18 necessary to stay within the overall authorized capital budget, as developed and approved
19 in the Annual Plan, while best supporting the needs of our customers. As discussed above,
20 consistent with the PAP, a Supplement Request Form with revised cost and justification is
21 required when it becomes likely that the project’s costs are expected to increase above the
22 threshold criteria.

1 **Q. Has the Company adopted any of the recommendations from the Business Process**
2 **Audit (“BPA”) conducted by River Consulting Group, Inc.?**

3 A. Yes. The Company has reviewed the recommendations from the BPA issued in July 2023.
4 The Company appreciates the feedback and also recognition for several aspects of the
5 Company’s capital-planning processes. In addition, the BPA identifies that the Company’s
6 forecasting and system planning practices are consistent with or are industry-leading
7 practices. The BPA provides some helpful recommendations for improving the
8 Company’s documentation and communication regarding its capital approval process. The
9 Company has been integrating the BPA recommendations into its processes on a going-
10 forward basis. In this proceeding, the Company has developed a new format for its project
11 variance explanations (Attachment ES-ADDITIONS-2). Further, the Company is
12 providing copies of project documentation for all capital projects conducted as specific
13 projects or annual programs (Attachment ES-ADDITIONS-3), as well as for carry-over
14 projects with \$100,000 or more in plant in service.

15 **III. CAPITAL ADDITIONS**

16 **Q. What is your understanding of the Commission’s standard for inclusion of plant**
17 **investment in rate base?**

18 A. Although we are not attorneys, it is our understanding that the Commission’s long-standing
19 standard for the inclusion of capital additions in rate base is that plant additions must be
20 “used and useful” in providing service to customers and the costs must be demonstrated to
21 have been incurred reasonably and in good faith. The Commission considers plant to be
22 “used and useful” if the plant is in service and providing benefits to customers. The

1 Company's historical capital additions to be included in rate base as of December 31, 2023
2 are consistent with the Commission's standard.

3 **Q. What are the major categories of work performed by the Company?**

4 A. PSNH executes a robust capital plan that addresses both reliability and load growth on the
5 system. As described previously, the Company goes through an extensive planning process
6 each year. The following categories are used to monitor and track capital investments in
7 the overhead and underground systems: (1) basic business, which primarily includes
8 emergent equipment failures, corrective replacements, pre-capitalized transformers,
9 lighting and reimbursable work; (2) new customer growth; (3) capacity expansion, which
10 includes both upgrades and reinforcements to infrastructure; (4) reliability improvements,
11 which includes several programs aimed at reinforcing, automating and upgrading the
12 Company's infrastructure; and (5) regulatory commitments, which primarily includes the
13 Company's reliability investments.

14 **Q. Please explain how the Company has segmented and categorized capital additions,
15 and the respective documentation, for presentation in your attachments.**

16 A. As an initial matter, the Company has segregated all capital additions into three distinct
17 categories: (1) distribution plant; (2) general plant; and (3) intangible plant. Distribution
18 plant covers distribution system assets, including but not limited to substations, poles,
19 wires, and transformers. General plant is typically associated with Company facilities such
20 as area work centers, land, vehicles and equipment. Intangible plant is typically associated
21 with IT investments made at the operating company level, rather than at the service
22 company level which is accounted for differently in the cost of service. Company

1 witnesses Yi-An Chen and Ashley N. Botelho describe the Company's computations of
2 these items in the cost of service.

3 Each category of capital additions is further segmented into sub-categories that have
4 distinct capital addition documentation requirements. These sub-categories consist of
5 annual blanket projects and programs, and specific projects.

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

7 A. Specific capital projects are projects where a stand-alone project is being constructed.
8 Examples of these projects include new substations, new lines, and circuit conversions.
9 Specific capital projects have defined start and end dates for construction with a defined
10 project cost and may be managed by a project manager and have unique project names for
11 the specific body of work to be executed. Current specific capital projects are projects that
12 were not reviewed as part of the rate case or as part of the Company's step adjustment
13 proceedings.

14 **Q. Please explain how the Company defines annual programs.**

15 A. Annual blanket programs are defined as programs that are high-volume and low dollar in
16 nature. An annual program funds a variety of activities intended to address a particular
17 issue. For example, an annual blanket program addressing the issue of voltage outside
18 regulatory limits may involve activities such as the placement of regulators or capacitors,
19 the replacement of conductors, or other activities. Work orders for annual blanket
20 programs are typically under \$500,000 in total costs. Examples of annual blanket programs
21 are new services, capital tools, obsolescence and asset renewal, line relocations, and

1 transformer purchases. These programs are funded at a consistent level from year to year
2 and utilize the same program names each year.

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

12 **Q. Have you provided documentation in support of the Company's capital additions in**
13 **in Attachments ES-ADDITIONS-1 through Attachment ES-ADDITIONS-3?**

14 A. Yes. Attachment ES-ADDITIONS-1 through Attachment ES-ADDITIONS-3 identify the
15 capital additions completed and proposed for inclusion in rate base for the Company
16 through December 31, 2023. The attachments provide information on a calendar year
17 basis. The attachments are more specifically described as follows:

- 18 • Attachment ES-ADDITIONS-1 is a Summary of PSNH Capital Additions for the
19 period January 1, 2019 through December 31, 2023. This attachment is one page
20 and shows total capital additions by year and is fully reconciled to the FERC Form
21 No. 1. This attachment reflects all capital additions, including the capital additions

1 approved through step adjustments since the Company's last rate case, Docket
2 No. DE 19-057.

- 3 • Attachment ES-ADDITIONS-2 is a Chronological List of Projects for specific
4 projects, and annual blanket programs, including explanation of variances greater
5 than 20 percent from the most recent authorization to final project cost. The costs
6 included are project life to date costs for specific projects, and annual program
7 costs. The sum of these projects do not tie to FERC Form No.1 pages; however,
8 are included to demonstrate the comparison of pre-construction authorization (for
9 projects) or annual authorization (for programs) to actual year/life to date project
10 costs.

- 11 • Attachment ES-ADDITIONS-3 includes project documentation for each project
12 listed in Attachment ES-ADDITIONS-2. The documentation includes the PAFs,
13 any supplemental PAFs, and closing reports.

1 **Q. Please summarize the capital additions the Company has made to its distribution**
2 **system that it is seeking to include in rate base.**

3 A. Table 1 below provides Plant Additions by Category for the years 2019 – 2023:

4 **Table 1**

Plant Additions by Category by Year (\$ millions)						
Category	2019	2020	2021	2022	2023	Grand Total
Basic Business	37.0	33.9	32.0	40.5	57.3	200.8
New Customer	11.7	13.5	17.5	24.5	25.2	92.4
Peak Load / Capacity	1.7	8.2	3.2	4.4	7.4	24.9
Regulatory Commitments	3.3	0.7	(0.2)	(0.0)	0.2	4.1
Reliability	78.5	65.3	61.3	77.8	81.1	364.0
Grand Total	132.3	121.6	113.8	147.2	171.2	686.1

5

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

7 A. Yes, all of the investments over this period are used and useful in the provision of service
8 to PSNH customers.

9 **Q. Were all of the costs for these investments incurred reasonably and in good faith?**

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

12 **Q. Please describe the Company's plant additions in the Basic Business category.**

13 A. The investments in this category primarily includes emergent equipment failures,
14 corrective replacements, pre-capitalized transformers, lighting and reimbursable work such
15 as: Third Party/Joint Owner Work (work required of utility pole owners to accommodate
16 attachments by either joint owners or third parties such as pole replacements); Basic
17 Business – Other (purchase of office furniture); Insurance Claim (customer equipment

1 damage claims due to events on the Company’s distribution system); Line Relocations/Act
2 of Public Authority (cost of relocation of existing distribution facilities required by State
3 highway, Municipal, redevelopment, private entities or Company needs); Pre-Capitalized
4 Line Transformers (purchase, initial installation and retirement of overhead, underground
5 and pad-mounted distribution transformers and voltage regulators); Lighting (work
6 required by State, Municipal and private area outdoor lighting customers); Emergent
7 Equipment Failures – Line (repairs, removal, and replacement of existing facilities
8 requiring capital work); Emergent Equipment Failures – Substation (repairs, removal, and
9 replacement of existing facilities requiring capital work in substations); Environmental
10 (capital work to replace transformers containing PCBs); and Capital Tool Purchases
11 (purchases of tools individually valued at over \$500).

12 **Q. Please describe the Company’s plant additions in the New Customer category.**

13 This category includes distribution overhead, duct system, and direct-buried construction
14 (excluding transformer purchases) required to serve new customers or upgrade service to
15 existing customers.

16 **Q. Please describe the Company’s plant additions in the Peak Load/Capacity category.**

17 **A.** This category includes investments in distribution line and substation projects to address
18 actual or projected overloads of facilities due to general load growth in specific areas. It
19 also includes funding for projects necessary to maintain voltage at customer delivery points
20 within limits prescribed by the Commission.

1 **Q. Please describe the Company's plant additions in the Regulatory Commitments**
2 **category.**

3 A. This category includes plant additions in the Company's reliability program, which has
4 included pole replacement, oil circuit breaker replacement, relay upgrades, and other
5 projects focused on improving reliability and specifically tracked and reported annually by
6 the Company.

7 **Q. Please describe the Company's plant additions in the Reliability category.**

8 A. The plant additions in the Reliability category include conversion of obsolete 4-kV
9 substations and lines to 12-kV or 34-kV, distribution automation (pole-top and substation
10 automation, installation of line sensors, and additional private radio base station locations),
11 distribution line reliability (construction of circuit ties for existing radial lines, reject pole
12 replacement, street-side reconductoring/hardening), and annual projects for reliability
13 costing less than \$500,000.

14 **Q. Has the Company included any capital additions previously proposed as part of a step**
15 **adjustment but not approved as part of the step adjustment?**

16 A. Yes. Attachment ES-ADDITIONS-2(d) includes all projects that the Company is proposing
17 to include in rate base that have not been previously approved as part of the step
18 adjustments. The Nashua Work Center Renovation project is the largest of these projects.
19 The project included renovating an approximately 60-year old workspace that was
20 outdated, inefficient and too small to house the functions that the Company needed. Due
21 to customer growth in southern New Hampshire, the Company had a pressing need to add

1 facility space to house construction line crews and troubleshooter line crews that provide
2 critical reliability functions for customers.

3 **IV. POST-TEST YEAR ADJUSTMENTS**

4 **Q. What is the Company's proposal with respect to post-test year changes associated**
5 **with capital additions placed into service after the end of the test year?**

6 A. The Company is proposing to reflect capital additions completed through December 31,
7 2024 in permanent base rates effective August 1, 2025. These capital additions will be in
8 service almost a year prior to the implementation of new permanent rates, and the Company
9 will timely provide all supporting documentation during the course of the proceeding. The
10 Company will update the record with the all required project documentation associated
11 with 2024 plant once the Company's books of accounting are closed for 2024. The
12 Company intends to provide the documentation it has readily available by
13 February 17, 2025, including 2024 plant in service, as well as PAFs and Supplemental
14 PAFs. The Company will provide the remaining documentation such as variance analyses
15 and closing reports by April 15, 2025. We recognize that a failure to provide clear,
16 cohesive, and reviewable evidence demonstrating eligibility of these proposed capital
17 additions through rates may present challenges to review the post-test year capital
18 additions. Therefore, the Company will provide a timely, organized, clear, and
19 comprehensive filing of all supporting documentation no later than April 15, 2025.

1 **V. CONCLUSION**

2 **Q. Do you have any concluding remarks?**

3 A. The Company's capital investments are documented and supported in our testimony, and
4 the investments are used and useful in the provision of service to PSNH customers. For
5 these reasons, the plant additions should be allowed for inclusion in rate base.

6 **Q. Does this conclude your testimony?**

7 A. Yes, it does.