STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

July 25, 2024 - 9:03 a.m.
21 South Fruit Street
Suite 10
Concord, NH

RE: **DE 24-070**
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY:
Request for Change in Distribution Rates. *(Hearing on Temporary Rates)*

PRESENT: Chairman Daniel C. Goldner, *Presiding*
Commissioner Pradip K. Chattopadhyay
Commissioner Carleton B. Simpson

Alexander Speidel, Esq./*PUC Legal Advisor*

Doreen Borden, Clerk

APPEARANCES: **Reptg. Public Service Company of New Hampshire d/b/a Eversource Energy:**
Jessica A. Chiavara, Esq.
Jonathan A. Goldberg, Esq. *(Keegan...)*

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Michael Crouse, Esq.
Marc H. Vatter, Dir./Econ. & Finance
Office of Consumer Advocate

Reptg. New Hampshire Dept. of Energy:
Paul B. Dexter, Esq.
Mary E. Schwarzer, Esq.
Matthew C. Young, Esq.
(Regulatory Support Division)

Court Reporter: Steven E. Patnaude, LCR No. 52

I N D E X

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
1	Settlement Agreement on Temporary Rates *(07-19-24)*	*premarked*
2	Revenue Adjustment Summary	*premarked*
3	Updated Attachment ES-REVREQ-1 (Temp), consisting of multiple schedules, including revenue requirement reflecting the Temporary Rate Settlement	*premarked*
4	Updated Attachments ES-EAD-3 (Temp) through ES-EAD-6 (Temp), showing rates and bill impacts	*premarked*
5	Updated Tariff Pages, clean and redlined	*premarked*
6	Temporary Rates Testimony and Attachments as originally filed on June 11, 2024	*premarked*

P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning. I'm Chairman Dan Goldner. I'm here with Commissioner Simpson and Commissioner Chattopadhyay.

This is the hearing on temporary rates pursuant to RSA 378:27, with the Eversource full distribution rate case, docketed in DE 24-070. This hearing is being held pursuant to the Order of Notice, Commission Order Number 27,029, issued on June 28th, 2024.

The Company, the Office of the Consumer Advocate, and the New Hampshire Department of Energy, the currently existing parties to this proceeding, filed a Settlement Agreement on Temporary Rates with the Commission on Friday, July 29th -- or, July 19th, 2024. The Settling Parties correctly noted that the Settlement is late-filed by one day, pursuant to Puc Rule 203.20(f), in their transmittal letter. However, the Commission notes that the acceptance of the Temporary Rate Settlement for the Commission's review today could be granted by the Commission if it would promote the orderly and efficient conduct of this proceeding, it would not impair the rights of any party to this proceeding.

We see that the Company has proposed a witness list of four witnesses, and the DOE has proposed an additional witness.

We'll take simple appearances of the parties here today, and then proceed with queries of the Settling Parties regarding their case presentation for the Settlement Agreement. And we'll begin by simple appearances, beginning with the Company. We also ask that the parties indicate if they have any objections to the proposed Exhibits 1 through 6. We'll begin with Eversource.

MS. CHIAVARA: Good morning, Commission. Jessica Chiavara, here on behalf of Public Service Company of New Hampshire, doing business as Eversource Energy. With me today is Jonathan Goldberg, Senior Counsel in the Keegan Werlin law firm.

And we have no objections to the exhibits as marked.

CHAIRMAN GOLDNER: Thank you. The Office of the Consumer Advocate?

MR. KREIS: Good morning, Mr. Chairman, Commissioners. I'm Donald Kreis, the Consumer Advocate. With me today is our Staff Attorney, Michael Crouse, and our Director of Economics and Finance, Marc Vatter.

CHAIRMAN GOLDNER: Thank you. And any objections to the exhibits?

MR. KREIS: No, sir.

CHAIRMAN GOLDNER: Thank you. The New Hampshire Department of Energy?

MR. DEXTER: Good morning, Mr. Chairman and Commissioners. I'm Paul Dexter, appearing on behalf of the Department of Energy. I'm joined by Co-Counsel Mary Schwarzer and Matthew Young.

The Department has no objection to the exhibits.

CHAIRMAN GOLDNER: Thank you.

Okay. So, I'll just ask at this point if there are any members of the public or anyone else from the public here today that would like to make an opening statement or a public statement?

I understand that Representative Kristine Perez is here, as well as Reverend Lutz.

And I'll just check in if there's -- if those folks would like to comment or make any opening statement? And I'll check to see if anyone else would like to make an opening statement.

Yes.

REP. PEREZ: Thank you. My name is Representative Kristine Perez. I represent Londonderry. But, more than that, I am a private citizen, and I'm a senior.

And I just want you all to know that no matter what you do, we can no longer, as private citizens, and as senior citizens, afford the rates that are being offered to us solely by Eversource. It doesn't matter how low I get my, whatever they're called, "kilowatts", the distribution outweighs, outranks, outspends everything. And we can no longer, as senior citizens, as citizens, afford rate increases. We need decreases. We need something to be done in this state to offer us a better opportunity. We can't afford it.

That's all I have to say.

CHAIRMAN GOLDNER: Thank you. And would Brother Lutz like to make an opening statement? Yes, sir.

MR. BRESLIN: I think you got the name wrong, but -- Ray Breslin.

And I would just like to say that all of the cost of energy is really high. We appreciate that the utility company has costs, but we also have to keep in mind that the Eversource receives money, federal money, in millions of dollars, federal money, for their interstructure *[sic]*, interfracture *[sic]*, whatever you want to call it, in other words, to replace the poles in particular. They're currently replacing pretty much all the wooden poles throughout the State of New Hampshire, including Londonderry. Londonderry is probably the most impacted for distribution of electricity that is passing through the State of New Hampshire to power Massachusetts and beyond.

And, so, we can appreciate that they are providing a public service, that is true. And they are also a business and entitled to make a profit, that's also true.

But, for a rate increase, personally, I want to know the justification for that. In other words, the bottom line is, they are making a profit, they are entitled to make a profit. I've got nothing against big business. That is fine. But they are also providing a vital service to the ratepayers and the public. And, so, I want to know the justification for this rate increase.

Are they in financial strife? They're unable to keep up with the cost of providing -- or, distributing power, they're not making power, they're buying power and then distributing it. And that is the biggest part of our bill.

And, yes, I'm a senior citizen. But I also look at the rest of the general public, including the young people that are also going to be burdened with this. We have to be very careful as to what we permit. Let's look at this seriously, and see if this is justified. I would like to know the justification.

And thank you for allowing me to speak.

CHAIRMAN GOLDNER: Thank you. Is there anyone else who would like to speak today outside of the parties?

[No indication given.]

CHAIRMAN GOLDNER: Okay. Seeing none. I'll offer an opportunity for the parties to make a brief opening statement, if they would like. If not, the Commission, after any opening statements, we'll take a ten-minute recess to consider the late-filed Settlement.

So, I'll just check to see if anyone would like to make an opening statement before we take a quick break?

MS. CHIAVARA: The Company has no opening statement.

CHAIRMAN GOLDNER: Okay. Consumer Advocate?

MR. KREIS: I would just like to say, on behalf of the Office of the Consumer Advocate, that we take to heart the comments that we've already heard this morning about the often crushing burden of the people's electricity bills.

Unfortunately, the law of this state doesn't really allow the Commission to set rates based on their affordability. The public utilities of this state have a constitutional right to an opportunity to earn a reasonable return on their investment. And, if we set rates so low as to not provide them with that opportunity, the utilities have a habit of suing the state, and winning, because those rates are confiscatory under the Fifth Amendment of the United States Constitution, which prohibits takings without just compensation.

So, we significantly trimmed back the temporary rate request. The standard for temporary rates is very utility-favorable, and we've taken that into consideration as we considered the proposed Settlement terms, and discussed that with the Department and with the Company.

So, this case has a long way to go. And the fact that we signed this Settlement Agreement shouldn't be understood by anybody as a concession by the OCA that the Company is ultimately entitled to the whopping, big rate increase that it has requested with respect to permanent rates in this case.

CHAIRMAN GOLDNER: Thank you. And would the Department of Energy like to make any kind of opening statement?

MR. DEXTER: Yes, Mr. Chairman.

The Department is here today to present the Settlement as a signatory. And we urge the Commission to accept the Settlement, despite the fact that it was filed a day late beyond the Commission's rules. That was due, in large part, to the compressed schedule that we've been dealing with. We received this case on June 11th, and were requested to review a temporary rate proposal effective August 1st, which is about 45 days. And, in the course of doing that, this Settlement came together, and ended up being filed a day late.

It's our position that acceptance of the Settlement would not disrupt the proceeding, and it would promote an orderly proceeding.

And, secondly, consistent with what the Consumer Advocate just said, you'll see, on Page 6 and 7 of the Settlement Agreement, that this is specifically -- the provisions of this Settlement Agreement for the Temporary Rates are specifically nonprecedent-setting for purposes of the remainder of the case.

As I explained to you at the prehearing

conference, we have about eleven months, twelve months left in this procedural schedule to review the various cost elements that the Company has presented in the permanent rates. And I outlined some of the key issues that we will be looking at. That was not an exhaustive list.

And I want to assure the commenters this morning that the Department of Energy will take that full eleven months to review Eversource's proposal, and be sure that it meets the standard of just and reasonable rates.

Thank you.

CHAIRMAN GOLDNER: Okay. Thank you.

So, the Commission will now take a brief ten-minute recess to consider the late-filed Settlement, returning at 9:25. Off the record.

(Recess taken at 9:16 a.m., and the hearing reconvened at 9:26 a.m.)

CHAIRMAN GOLDNER: Okay. Back on the record.

We thank the Company and the Department of Energy for offering their witnesses to provide sworn testimony as a panel here today.

The Commission now rules from the Bench that we will accept the late-filed Settlement for our review and consideration today, as it would promote the orderly and efficient conduct of the proceeding, and would not impair the rights of any party to this proceeding.

We accept the late-filed Settlement for these reasons. But would note that, from a Commission perspective, we lost a quarter of our review time. One day doesn't sound like a lot, but, when there's only a few days, that's allotted time for our review.

And I'll also note that, while we accept the Settlement, given the tight timelines in this rate case, the parties should not expect the Commission to accept late filings for the remainder of the docket.

Okay. With that said, we'll now ask the witnesses to take the stand, which they have, Mr. Eckberg is there, yes, and to be sworn in by Mr. Patnaude. In the interest of efficiency, we ask the counsel for Eversource and the DOE to engage in limited direct of their respective witnesses in sequence, followed by Commissioner questions, then friendly cross by the other Settling Parties, and redirect by the Company and the DOE.

So, we'll begin with the swearing in of the witnesses with Mr. Patnaude.

(Whereupon ***DOUGLAS HORTON, ASHLEY BOTELHO, YI-AN CHEN, SCOTT ANDERSON,*** *and* ***STEPHEN ECKBERG*** *were duly sworn by the Court Reporter.)*

CHAIRMAN GOLDNER: Okay. Let's move forward with direct and Eversource.

MS. CHIAVARA: Thank you, Mr. Chairman. I'm going to start by just qualifying the witnesses, starting with Mr. Doug Horton.

DOUGLAS HORTON, SWORN

ASHLEY BOTELHO, SWORN

YI-AN CHEN, SWORN

SCOTT ANDERSON, SWORN

DIRECT EXAMINATION

BY MS. CHIAVARA:

Q Mr. Horton, can you please state your name, your title, and your role at Eversource?

A (Horton) Yes. My name is Doug Horton. I am the Vice President of Distribution Rates and

Regulatory Requirements at Eversource.
Q And what are the responsibilities of your role with the Company?
A (Horton) In my role, me and my team are responsible for all rate filings made before our state commissions, including in New Hampshire, Massachusetts, and Connecticut.
Q And have you ever testified before this Commission?
A (Horton) Yes.
Q Are you also familiar with the terms of the Settlement Agreement filed on July 19th, 2024, and marked as "Exhibit 1"?
A (Horton) Yes.
Q And do you, on behalf of the Company, support the terms of the Settlement Agreement and recommend its approval by the Commission as just, reasonable, and in the public interest?
A (Horton) Yes.
Q Thank you very much. Next, I want to ask Ashley Botelho. And, Ms. Botelho, will you state your name, the title, and your role at Eversource?
A (Botelho) My name is Ashley Botelho. I'm the Director of Revenue Requirements for Distribution

Rates.
Q And what are your responsibilities with the Company?
A (Botelho) I'm responsible for the oversight, coordination, and implementation of revenue requirement calculations in base distribution rate proceedings for PSNH, as well as other proceedings before state regulatory agencies for PSNH's sister operating companies in Connecticut and Massachusetts.
Q And have you ever testified before this Commission?
A (Botelho) No, I have not. I have testified in front of the Mass. DPU, on behalf of Eversource's gas and electric operating affiliates in that state.
Q Thank you. Did you file testimony pertaining to PSNH's temporary rate request on June 11th, 2024, that's marked as "Exhibit 6"?
A (Botelho) Yes.
Q And was the testimony prepared by you or at your direction?
A (Botelho) Yes.
Q Now, the testimony makes recommendations for cost

recovery in temporary rates that are different than those recommended in the Settlement. Can you briefly describe the purpose for entering this testimony and attachments as an exhibit, and to what extent it should be relied upon?

A (Botelho) Sure. A high level of the temporary rates testimony explains the drivers of the revenue deficiency triggering the need for rate relief, which is why the Company filed this rate case. The description can be found on Pages 6 through 15 of my -- my and Ms. Chen's testimony, or Bates Pages 1452 through 1460.

The temporary rates testimony provides informational descriptions of the schedules attached to the testimony that support the rate calculations. The Company filed versions of these schedules as part of the Settlement Agreement with updates to reflect what was agreed upon in the Settlement. But the structure and the format of the schedules is the same. So, my testimony can be used and our testimony can be used for informational purposes in relation to those schedules, included as Attachment ES-REVREQ-1(Temp), in the updated version of what was submitted as "Exhibit 3".

Q Thank you. Do you adopt your testimony today, to the extent that you described that it should be relied upon?

A (Botelho) Yes. I adopt it for the purposes previously stated.

Q And you just mentioned that Attachment ES-REVREQ-1(Temp) was updated to reflect the Settlement and submitted as "Exhibit 3". So, that partially addresses my next question, about whether you're familiar with Exhibit 3. But I also want to ask, was Exhibit 3 updated by you or at your direction?

A (Botelho) Yes.

Q Are you also familiar with the terms of the Settlement Agreement filed on July 18th **[**19th**?]**, 2024, and marked as "Exhibit 1"?

A (Botelho) Yes.

Q And do you, on behalf of the Company, support the terms of the Settlement Agreement as being just, reasonable, and in the public interest?

A (Botelho) I do.

Q Thank you. Turning now to Yi-An Chen. Ms. Chen, please state your name and your role at

Eversource?

A (Chen) Sure. My name is Yi-An Chen. I'm Director of Revenue Requirements for Public Service Company for New Hampshire.

Q And what are your responsibilities with the Company?

A (Chen) I'm currently responsible for the coordination and implementation of revenue requirements calculations for the Company, to support the rate and regulatory filings associated with the Company's various rate components.

Q And have you ever testified before this Commission?

A (Chen) Yes. I have testified in several rate dockets for the Company.

Q Did you file testimony on June 11th, 2024, marked as "Exhibit 6"?

A (Chen) Yes.

Q Was the testimony prepared by you or at your direction?

A (Chen) Yes.

Q And I just discussed differences between the recommendations in testimony and those made in

the Settlement. Do you have any additional changes or a further explanation regarding the purpose and the extent to which testimony should be relied upon, in addition to what Ms. Botelho just described?
A (Chen) Ms. Botelho fully explained the purpose of our testimony being submitted as an exhibit. I don't have anything additional to add.
Q Okay. So, do you adopt your testimony today as it was written, to be relied upon to the extent explained by Ms. Botelho?
A (Chen) Yes, I do.
Q Thank you. And were you involved in the preparation of updated Attachment ES-REVREQ-1 (Temp), marked as "Exhibit 3"?
A (Chen) Yes.
Q Are you also familiar with the terms of the Settlement Agreement filed on July 18th **[**19th**?]**, 2024, marked as "Exhibit 1"?
A (Chen) Yes.
Q So, do you, on behalf of the Company, support the terms of the Settlement Agreement as being just, reasonable, and in the public interest?
A (Chen) Yes.

Q Okay. Thank you very much. And, then, I will finally turn to Scott Anderson. Mr. Anderson, can you please state your name and the title of your role at Eversource?
A (Anderson) My name is Scott Anderson. And I am Manager of Rates for Public Service Company of New Hampshire.
Q And what are the responsibilities of your role with the Company?
A (Anderson) I'm responsible for activities related to rate design, cost of service, and rates administration for PSNH.
Q And have you ever testified before this Commission?
A (Anderson) Yes. I've testified in several rate-related dockets on behalf of the Company.
Q Did you file testimony on June 11th, 2024, marked as "Exhibit 6"?
A (Anderson) My direct supervisor, Ed Davis, is the witness listed on that testimony. But I was a primary contributor in the development of that testimony. As such, I have first-hand knowledge of and familiarity with it and can comfortably speak to its contents.

Q So, you assert that this testimony was, at least in relevant part, prepared by you?

A (Anderson) Yes.

Q The testimony we're discussing makes recommendations regarding temporary rates that are different to those recommended in the Settlement. Can you briefly describe the purpose for entering this testimony and attachments as an exhibit, and to what extent that the testimony should be relied upon?

A (Anderson) Yes. The temporary rates testimony describes the method used to allocate the increase in the revenue requirement, which remained the same for the Settlement. And it also notes that recoupment will be needed to reconcile any over- or under-recovery, once permanent rates are set, for the period between when temporary rates take effect, until the date when permanent rates take effect, which is still true and applicable.

Q Do you adopt the testimony of Mr. Davis today as your own, to the extent that you describe it should be relied upon?

A (Anderson) Yes, I do.

Q Certain attachments to Mr. Davis's temporary rates testimony, specifically Attachments ES-EAD-3(Temp) through ES-EAD-6(Temp), were updated to reflect temporary rates as agreed to by the parties to the Settlement Agreement, and the tariff pages were likewise updated. These are marked as "Exhibits 4" and "5", respectively. Are you familiar with these exhibits?
A (Anderson) Yes.
Q Did you prepare these exhibits?
A (Anderson) Yes, I did.
Q Are you also familiar with the terms of the Settlement Agreement filed on July 18th **[**19th**?]**, 2024, and marked as "Exhibit 1"?
A (Anderson) Yes.
Q Do you, on behalf of the Company, support the terms of the Settlement Agreement as being just, reasonable, and in the public interest?
A (Anderson) Yes.

MS. CHIAVARA: Okay. Thank you very much.

I only have, I believe, three questions for direct exam. So, my first question is for Mr. Horton.

BY MS. CHIAVARA:

Q The Settlement begins with a baseline amount of a "per book revenue deficiency of approximately $51 million, based on the Company's currently authorized return on equity of 9.3 percent." Can you briefly explain first what that means, and then also what it's comprised of?

A (Horton) Yes. The test year per book revenue deficiency reflects the circumstances that existed in 2023, which caused the need for the Company to file the rate case and the reason that we're here today. Which is to say that, since our last rate case, we have made significant infrastructure investments in our electric grid, and experienced increased expenses and upward pressure on operating and maintenance expenses, due to inflation and the rising cost of doing business, such that, in 2023, our earned ROE was more than 300 basis points below our authorized ROE. And with the continuing need to make ongoing infrastructure investments in the electric grid, we see that continuing to degrade and decline over time, if not addressed by a revenue increase.

The per book revenue deficiency simply reflects the level of revenues that would be needed to increase that earned ROE from the actual realized return on equity up to the authorized return on equity of 9.3 percent, all else being equal, which is calculated to be $51.2 million, as described on Page 2 of Exhibit 1.

In our initial request for rate relief, it began with this adjustment, in that filing made on June 11th of 2024. In addition, in that initial request, we had also included some normalizing adjustments, which were made to be reflective of a normal year. Things that were recorded or happened in 2023 that our assessment was would not continue or recur on a going-forward basis. We realize that those normalizing adjustments, with the exception of two of them, were not profoundly impactful to the overall revenue requirement, and went in both directions, meaning some of our proposed adjustments went up and some of those proposed adjustments went down.

The Settlement eliminates all but two

of those normalizing adjustments from the cost of service used for setting temporary rates on August 1st.

Q Great. Thank you. Could you briefly explain how the Settlement Agreement satisfies the purpose of establishing reasonable temporary rates to provide immediate relief to the utility, including a reasonable rate of return?

A (Horton) Yes. As I mentioned, the test year per book revenue deficiency reflects the needed revenue increase in order to provide the Company with sufficient revenues, so that we have the opportunity to earn our authorized return on equity of 9.3 percent in the temporary rate year. The temporary -- the temporary rate change is intended to provide interim relief, so that the Commission and the parties to the proceeding can dedicate the full twelve months allotted for the permanent rate review, in order to evaluate any necessary or appropriate changes that would be effective with the permanent rate change.

As I mentioned, our initial filing included a number of normalizing adjustments that we had proposed to reflect in the temporary rate period. However, the Settlement Agreement, as I mentioned a minute ago, eliminates all but two of those normalizing adjustments to the per book revenue deficiency.

Each one of those normalizing adjustments that remain and are reflected in the temporary rate change are related to Eversource's or PSNH's purchase of CCI's portion of jointly-owned poles, that was approved by the Commission and closed in 2023, which was our test year.

On May 1st of 2023, again, in the midst of our test year, we closed the purchase and completed the acquisition of CCI's portion of those previously jointly-owned poles, which resulted in two accounting transactions to reflect the final acquisition of those poles.

Those two entries lowered our test year expense by a significant amount, approximately $22 million, which are nonrecurring, one-time events, associated, again, with the CCI pole purchase. Which means that, if we were to continue to include those entries in our cost of service, it would essentially lower the revenue increase artificially by $22 million.

Including these normalizing adjustments in the Settlement makes it possible for us to be within reach of our currently approved return on equity as established in the last rate case, and without them the ROE would fall short, because, again, it would be lowering our needed revenues by that approximately $22 million, which were recorded as a reduction to expense in our test year.

Q And can you explain a bit about which storm -- actually, I have one more question about the CCI poles. Are these costs on file with the Commission?

A (Horton) They are. This adjustment, again, occurred in May of 2023. And, in our quarterly F-1 filings to the Commission, we have reflected those entries in those filings that have been made with the Commission.

Q Great. Thank you. Can you now explain a bit about which storm costs will be recovered in temporary rates according to the Settlement Agreement? And, specifically, how would the approved, but unrecovered, costs that would otherwise be recovered, and why is it more appropriate to include them in temporary rates now?

A (Horton) Certainly. The Company has approximately $24 million of approved, but unrecovered, storm costs. So, these are storm costs that have previously gone through the PUC process of review, and have been approved for recovery in Dockets Number DE 22-031 and 23-051. As of July 31st, 2024, that balance will be approximately $24 million.

Currently in rates we're collecting approximately $15 million for the recovery of storms that were approved in our last rate case, in Docket Number 19-057, in which the Commission authorized recovery of approximately $68 million at that time, over five years, effective on August 1st of 2019. Such that, by the end of this month, that balance will be fully recovered. And the $15 million that is currently in rates would otherwise remain.

In addition, the Company has $12 million currently collected in rates annually to fund the Major Storm Cost Reserve. The

Settlement Agreement allows us to begin to amortize the $24 million of previously approved and currently unrecovered balance of storm costs. By applying the $12 million that is recovered in rates as part of that Major Storm Cost Reserve, or MSCR, against that balance, in addition, the Settlement Agreement calls for the $15 million that is currently in rates to be reduced by $9 million, to approximately $6 million, and be applied against that previously approved balance as well. Such that, at the end of the temporary rate period, there would be roughly $6 million of the 24 remaining, to be dealt with as part of the permanent rate change.

Q Great. Thank you very much. And I believe you already mentioned this, but just for good measure. Do you believe that the Settlement Agreement will result in rates that are just and reasonable?

A (Horton) I do.

MS. CHIAVARA: Thank you. That is all I have for direct exam.

CHAIRMAN GOLDNER: Okay. Thank you. We'll move to direct from the Department of

Energy.

STEPHEN ECKBERG, SWORN

DIRECT EXAMINATION

BY MR. DEXTER:

Q Good morning. Mr. Eckberg, will you please state your name and position with the Department of Energy?

A (Eckberg) Good morning. My name is Stephen Eckberg. I'm a Utility Analyst with the Regulatory Support Division of the Department of Energy.

Q And, Mr. Eckberg, are you familiar with the document that's been marked in this proceeding as "Exhibit 1", which we've been referring to as the "Settlement Agreement"?

A (Eckberg) Yes. I am familiar with that document.

Q And were you involved in the negotiations that led to that Settlement?

A (Eckberg) Yes, I was.

Q Mr. Eckberg, is it your understanding that, if the Settlement were approved by the Commission, it would allow Eversource to increase its distribution rates on a temporary basis, to collect an additional $61.2 million in annual revenues, for services rendered, effective August 1st, 2024?

A (Eckberg) Yes, that is my understanding. As explained in the Settlement, the proposal is to increase annual revenues by the number you stated, $61.2 million, with rates to be implemented on a service rendered basis, effective August 1st.

Q And is it your understanding that the calculation of that $61.2 million revenue increase is contained in Exhibits 2 and 3?

A (Eckberg) Yes. That's correct.

Q And is it your understanding that the actual rates to be charged, if the Settlement is approved, is contained in Exhibits 4 and 5?

A (Eckberg) Yes. That's my understanding.

Q And do you read this Settlement to be precedent-setting for the temporary -- or, for the permanent rate phase of this proceeding?

A (Eckberg) No, I do not read it that way. There is language on Pages 6 and 7 of the Settlement Agreement filed as Exhibit 1, which it's my understanding that the parties to the Settlement Agreement have the right to take any position in the future permanent rates phase. That the agreements that are made here in the Temporary Rate Settlement Agreement are not precedent-setting.

Q And, for example, the Settlement calls for a $15 customer charge for residential customers, is that your understanding?

A (Eckberg) Yes. That's my understanding.

Q And, so, for example, in the permanent rate case, it may be that the Department of Energy, or other parties, are free to propose a different customer charge for the permanent rate case. Is that what you're saying?

A (Eckberg) Yes, absolutely. That we could advocate for a lower or higher rate, whatever we felt was appropriate at that time, yes.

Q Okay. Is it the position of the Department of Energy that, for purposes of setting temporary rates -- settling the temporary rate phase of this proceeding that the proposed rates are just and reasonable?

A (Eckberg) Yes, it is.

Q And you heard the testimony given by the Eversource panel earlier today, is that right?

A (Eckberg) I did, very clearly, yes.

Q Do you have anything that you would like to add to that testimony or anything that you think needs to be corrected or clarified, or that was inconsistent with your understanding?

A (Eckberg) No. I believe that the testimony from the Eversource witnesses is in line with my understanding of the Settlement Agreement.

MR. DEXTER: Thank you. That's all the questions I have.

CHAIRMAN GOLDNER: Thank you. I'll now sort of switch the order from what I mentioned a few minutes ago, and we'll move to friendly cross, and then Commissioner questions, instead of the other way around a few minutes ago.

So, let's move to friendly cross by the Company?

MS. CHIAVARA: The Company has no cross exam.

CHAIRMAN GOLDNER: Very good. Let's move to friendly cross from the New Hampshire Department of Energy?

MR. DEXTER: None from the Department.

CHAIRMAN GOLDNER: And, finally, the

Office of the Consumer Advocate?

MR. KREIS: None from the OCA.

CHAIRMAN GOLDNER: Okay. I guess I could have done it in the other order.

All right. Let's move to Commissioner questions, beginning with Commissioner Simpson.

CMSR. SIMPSON: Thank you.

I think I'll start with a high-level question for Mr. Eckberg.

BY CMSR. SIMPSON:

Q Looking at prior rate cases in the electric utility space here in New Hampshire, is there a general methodology that the Department employs in determining what temporary rates should be set to, relative to a base distribution rate case request? And is this generally in line with that, looking essentially with the bulk of the request being a true-up of the test year per book revenue deficiency?

A (Eckberg) I would say that this Settlement Agreement reflects -- is reflective of our general approach to establishing an appropriate temporary rate level, yes.

Q Okay. And that true-up for revenue deficiency typically looks to be a primary factor in temporary rates?

A (Eckberg) Yes. Certainly, an examination of the books and records or the end of the test year revenue deficiency is the general starting point where we look to see what would be an appropriate temp rate level, and then taking into account perhaps additional factors or issues, which may be unique to a test year or a given situation may be appropriate to consider.

And, of course, every situation is somewhat unique, because this, as often the case with temporary rates, the matter before you is the result of a settlement agreement. So, there's usually a little give-and-take with different positions and ideas.

Q Of course, I appreciate that. With respect to the test year, in your view, do you think that there is anything unique about 2023 as a test year for the Company's request? Is it just in line with the stay-out provision for their prior rate case, and that's expected that they would come in with a '23 test year? Or do you think that there are some unique elements within '23 that lead to this temp rate request, as well as the permanent rate request?

A (Eckberg) Well, certainly, as explained by the Company witness, Mr. Horton, one of the significant and unique issues that the Company dealt with in the 2023 test year is the closing or the completion of the Consolidated Communications, Inc., pole -- the pole docket.

Q Sure.

A (Eckberg) So, the completion of that transaction has led to some unique issues in the test year that the Company wished to deal with. So, that's one unique thing.

There are other ongoing, unique things, such as significant storm costs, which are not -- not under consideration here in the temporary rate phase, but those are things that will be looked at in great detail in the permanent rate phase.

Q And I'm certain that the Department spent considerable time reviewing the records from the Company. Are there any elements that you think are worth shining a light on for the Commission, with respect to the significant capital investment that we're seeing presented in front of us by the Company over the prior years, as well as the significant increases in O&M costs?

A (Eckberg) Well, I think that the significant capital investments that the Company has made is certainly an issue that will be examined in great detail in the permanent rate phase. That is something that they have highlighted as one of the contributing reasons for the rate case overall here today, or in the time ahead, yes.

Q And O&M, do you have any perspective on that at this juncture, as we look to address temp rates?

A (Eckberg) Well, I think we're aware of increases in O&M costs, for example, as they impact vegetation management and storm costs. And I would imagine the Company's other overall costs of doing business are impacted by increasing prices in the economy, yes.

Q Okay. Thank you for that, Mr. Eckberg.

Looking at some questions for the Company. Can you address a bit more the removal of the storm cost request from your temp rate filing to the Settlement? Certainly, storm costs are very significant in this case, and we're seeing significant cost drivers, due to crews, capital restoration. Can you just address to us why you felt it was prudent at this time to remove those to provide some relief for customers within the temp rates? And, then, what you see going forward for the Commission as we move to the permanent rate phase following this proceeding?

A (Horton) Absolutely. And just building off of what Mr. Eckberg said in your question to him, I certainly don't have anywhere near the level of experience that Mr. Eckberg does here in New Hampshire. But, from our last rate case, in 2019, we really tried, with the temporary rate case proposal, to adhere to the same sorts of parameters, meaning the temporary rate change, we endeavored to essentially keep that as simple as possible, to minimize the issues, given the time constraints that everybody is under in reviewing the temporary rate change. And, so, with our initial application, it was comprised largely of that test year per book adjustments, including some normalizing adjustments as I mentioned, and then proposal for recovery of storm costs that had previously been approved.

But, as has been mentioned, any rate increase is challenging for our customers, and all parties are interested in trying to ensure that we can have rates that are just and reasonable, while balancing interests of bill impacts on customers.

And, so, as part of our Settlement Agreement, we saw an opportunity to leverage existing funds that are in rates in a way that would allow us to reduce the temporary rate increase, and achieve a lower rate impact for our customers now. And, again, so that all parties can focus on the permanent rate aspect of the case, and ensuring that any future rates are just and reasonable.

As it relates to storms, it's not news to anybody here that storm costs are a growing concern. Chair Goldner asked us some questions at the technical conference on Monday, which we're certainly prepared to speak to as part of this proceeding, in terms of, you know, how much is the actual -- we all know that the costs have increased, but we want to also understand what are the drivers on the system that are causing those costs to increase, in terms of the magnitude, the frequency, the impact that storms and weather events are having on our system.

So, I see this as being a major part of the permanent aspect of the case, both in terms of how do we recover the costs that have been approved, or are in the process of being reviewed, and, ultimately, whatever the amount is that would be approved will have a bill impact for customers. So, how can we arrive at a cost recovery framework that mitigates bill impacts on customers, and recognizes the fact that ongoing costs of storms have increased versus historical levels, and balancing the interests of customers and of the Company, in terms of being able to finance those storm costs, and do so in a way that is most affordable for our customers.

Q Thank you. With respect to the estimated effect by class, can you address why each of the rate groups have been attributed a certain percentage, and how that relates back to the cost drivers leading to this temporary rate request?

A (Horton) I will hand that over to Mr. Anderson to take.

A (Anderson) Sure. So, with temporary -- sorry. With temporary rates, what we've done is we've raised our set of prices up by a uniform across-the-board percentage, such that we are remaining intact the allocations of distribution costs from the previous rate case, 19-057. So, all we're doing is raising everybody up to hit the new temporary revenue requirement target. That preserves the allocations that were established as just and reasonable in 19-057.

Q Can you point us to where those allocations are identified within the Exhibit List, what those percentages are per class?

A (Anderson) I don't --

Q And I'm looking at Exhibit 6, and, in testimony, the presented effect by class is articulated, and I want to understand what the Settlement term percentage allocations are. And take your time.

A (Anderson) I'm sorry, can you ask that question again? Exhibit --

Q I'm looking at Exhibit 6, and I'm on Page 026 of Exhibit 6, Bates Page. And I'm looking at "Figure 5. Estimated Effect by Class". And I

want to understand, based on the Settlement terms, what the effect by class would be?
A (Anderson) Sure. So, we have provided that, this, what you see on Page -- I'm sorry, 26?
Q It's Bates Page 026, Page 24 of the document, Figure 5.
A (Anderson) Yes. That is the initial proposed temporary --
Q Yes.
A (Anderson) -- class percentages. We have adjusted those down, because the temporary revenue requirement has been lowered from about $77 million, to $61.2 million. So, the "6.57", goes to "5.24" for Residentials.
Q Is that anywhere? Is that figure anywhere in the exhibits?
A (Anderson) Yes. Bear with me.
Q Take your time.
A (Anderson) If you go to Exhibit 4, Page 10.
Q Okay. I'm there.
A (Anderson) On the right-hand side are the new percentages reflective of the now temporary rate increase of 14.64 percent.
Q Uh-huh.

A (Anderson) And that equates to, for Residential, "5.24"; General Service, "4.57"; Primary Rate GV, "2.08"; Rate LG, "1.62"; Street Lighting, "9.81"; for a total Company -- total bill increase of just over 4 percent.

Q And are those differences in percentage of total revenue based on volume? What's the math behind each of the Column (I) percentages? How does that break down?

A (Anderson) So, again, it's reflective of the distribution allocations by rate class established in 19-057, all of those prices -- that produced a set of prices. All those prices have been increased by an across-the-board percentage increase. Multiplying those new set of prices by --

Q Uh-huh.

A (Anderson) -- the same billing determinants produces new distribution temporary settlement revenue requirements by class, and those produce those percentages.

Q Okay. So, the 14.64 across all of the classes, and then subsequently leading to a revenue increase per class of what we're seeing in

Column (I)?
A (Anderson) What you see in Column (I) is on a total bill perspective.
Q Okay.
A (Anderson) So, on the Column (B), you see just the impact --
Q Uh-huh.
A (Anderson) -- of the distribution rate change stand-alone itself.
Q And that's average bill?
A (Anderson) Correct. These are averages, correct.
Q Okay. Thank you. There's discussion of the significant IT-related investments that the Company has made. Is that an element within the 51.2 million, as calculated by the temporary rate level for a revenue deficiency? Is that a factor within that?
A (Horton) It is one of the factors. We call out IT because of the way that we reflect shared Service Company IT investments, which are really capital plant additions, except that, for certain IT investments that service multiple operating entities, they're recorded at the Service Company, and then the Service Company allocates

those costs out to the benefiting operating entities. And, when they are recorded at the operating company level, we show them as "expense". But, again, they're really capital additions.

So, the answer to your question simply is, yes, it is part of the 51.2 million. It's also part of the overall permanent rate request that we, again, would evaluate as part of the next phase.

Q So, it's attributed as an expense at the operating company level, but the corporation has made investment, and it's capital investments, computers, it's OT infrastructure that you employ in the field. Am I understanding that correctly?

A (Horton) You are.

Q Okay.

A (Horton) If it were recorded -- if it were simply invested in by PSNH, as an example, it would be a capital addition at PSNH. And, then, we would, on PSNH's books, experience the depreciation expense, *et cetera*. It's just a function of the accounting, where we record it at the Service Company as an addition, and that depreciation expense, the carrying costs are allocated out and then recorded as expense on the operating company's books.

Q Do any of the witnesses have a sense of the portion of the revenue deficiency that's attributed to IT, and what those IT investments were historically?

And I'm looking at a general high-level perspective on that question.

A (Botelho) Yes. So, in Exhibit 6, on Page 7 of our testimony, we talk about the primary drivers of our temporary rate relief request.

Q Uh-huh.

A (Botelho) So, this chart goes through and compares -- and compares, since our last rate case, what the significant drivers of the deficiency are. So, enterprise IT contributed, from the last rate case, 12 million of the total 77 million initial revenue deficiency.

I just wanted to add to what Mr. Horton said earlier. For the temporary rate request, it's part of the 51.2 million, the per book deficiency, which means that, for the temporary rate request, there's test year expenses as recorded on the books. So, there are no adjustments for the temporary rate request period included in the filing.

Q Okay. So, based on this chart, roughly 9 million, you could say, is related to IT of this from the Settlement?

A (Botelho) It's 12 million. I think you're looking at the storm costs, or an amortization of 9 million.

Q Okay, 12 million.

A (Botelho) Twelve million.

Q So, then, can you share with us what those expenses were, what those costs were? Generally, what systems did you invest in that led to this significant investment?

A (Botelho) It's a great question. We don't have the specific systems ready to respond to you today. However, I am aware of a handful of systems as an example of what would be conducted at the Service Company and assigned to PSNH through operating expense.

So, an instance that I've seen recently was related to our Outage Management System and improved reporting around our Outage Management

System. So, we employed a system, the project was called "Outage Analytics". So, as you can imagine, storm response, emergency response is important to be conducted in an efficient manner. So, we make those investments at the Service Company level, looking to have a single platform in which we are managing crews through our Outage Management System, and reporting on progress, progress during an emergency response.

So, that's just one example of a project. We fully expect, during the course of the permanent rate proceeding, that we would be providing documentation for all enterprise IT projects.

Q Okay. Thank you. And, with respect to the fixed customer charge for residential customers, the increase to $15 per customer as presented, can you share with us the factors that led to the difference from current rates, to as proposed in temporary rates, what is driving that requested increase specifically?

A (Horton) Certainly. And I can start, and, Mr. Anderson, please supplement.

As Mr. Anderson mentioned, when we

originally filed our application, we left aside the cost allocation discussion for the permanent rate proceeding, --

Q Uh-huh.

A (Horton) -- and simply applied a uniform percentage increase across-the-board, including to the fixed customer charge. And, as a condition of settlement, one of the elements of the Settlement was an agreement to reduce the increase to the fixed customer charge by roughly half, and establish it at $15 for Rate R1, and $18 for the Optional Time-of-Use Rate. With all parties fully reserving their rights to take different positions during the permanent phase of the proceeding.

So, that was a condition of settlement, acknowledging that parties have strong opinions on the fixed customer charge and what should go into it. But it wasn't a cost-based adjustment, other than applying a fixed percentage across-the-board for the temporary phase.

Q Okay. Do you have anything to add, Mr. Anderson?

A (Anderson) I do not.

CMSR. SIMPSON: Okay. All right.

Thank you to the Company witnesses for answering my questions. Thank you to Mr. Eckberg and the work of the Department in reviewing the temporary rates filing and working on the Settlement.

That's all that I had at this time, Mr. Chairman. Thank you.

CHAIRMAN GOLDNER: Thank you. We'll turn now to Commissioner Chattopadhyay.

CMSR. CHATTOPADHYAY: Good morning.

BY CMSR. CHATTOPADHYAY:

Q I'm going to Exhibit 2. I'm not necessarily talking about the specific numbers, but I want to understand a few things for clarity.

The per books revenue deficiency, $51.2 million, that number, that included an adjustment to the capital structure, right?

A (Horton) The 51.2 million reflected our test year actual capital structure. I didn't mention it in direct as part of the Settlement Agreement, that another provision described in Exhibit 1 is an adjustment to the actual capital structure to reduce it to what was authorized in our last rate case. But the 51.2 million was reflective of actual capital structure.

Q So, the two -- this question is for anyone who wants to comment or can talk about it. Typically, in a temporary rate case, what is your recollection on what do we do with the capital structure? Do we change it or we just leave it what was previously approved?

And I'm asking that question to also DOE.

A (Horton) I mean, in my experience -- well, maybe I'll leave it to Mr. Eckberg, if you want to go first. Much more experience, as I've already mentioned.

A (Eckberg) Certainly. I'll be glad to provide an answer.

I think that there may be different perspectives on what is the appropriate starting point to do for test rates. From looking at the end of the test year, for example, one perspective might be what the Company used here, which is to use the end of test year capital structure. That was their original proposal for developing their temporary rate proposal. Another common approach might be to use the last approved capital structure, as you perhaps suggested, Commissioner. And, so, those differences of opinion are things which are discussed in the course of the Temporary Rate Settlement here.

And what you see on Exhibit 2 is the starting point, and then an adjustment to the capital structure, which takes us back to the last approved capital structure from DE 19-057. And I think that's where we are with this Settlement Agreement.

A (Horton) I'm glad I let him go first.

Q Do you have any recollection as to how the temporary rates were set in the previous docket, in the 2019 case?

A (Eckberg) I don't have any specific recollection about what was done in the temporary rates there. I just -- I just do have the details about what the end of the case resulted in, which would be the permanent rates.

Q Yes, I was asking more about the temporary rates. So, does the Company has any recollection what was done?

A (Horton) I would need to verify. My recollection of that is hazy, but I actually feel like it's exactly as Mr. Eckberg described. Where we had originally proposed one thing, and settled on what was previously approved.

Q Okay.

A (Horton) That is at least my recollection for -- well, I think I will stop there. And I need to verify.

Q Okay. Thank you. Can you tell me what the rate base was -- let me retract.

How many step increases were there in the previous rate case?

A (Horton) In 19-057?

Q 19-057.

A (Horton) There were three. One moment, if I could confer?

[Witness Horton and Witness Botelho conferring.]

CONTINUED BY THE WITNESS:

A (Horton) There were three step adjustments reflecting additions for plant investments made in 2019, 2020, and 2021, for rates effective in the subsequent year.

BY CMSR. CHATTOPADHYAY:

Q Okay. So, the last step increase captured

investments that happened in 1920 -- sorry, in 2021?
A (Horton) Correct.
Q Do you recall what was the rate base at the end of that?
A (Horton) I do not. Let me confer, to see if we think we have that. You're asking for the rate base that would have been in rates essentially reflected in that 2022 step adjustment reflecting 2021 plant?
Q Correct.
A (Horton) Ms. Botelho has that.
A (Botelho) So, in 19-057, our total rate base, before step adjustments, though, was 1. -- up -- do you want precise numbers? I can round them?
Q It doesn't matter. It depends on what you consider "precise" and what I consider "precise".
A (Botelho) I'll round. Our rate base resulting from 19-057 was 1.2 billion. The step adjustments, the three step adjustments, totaled a rate base change of around 200 million. So, after the step adjustments in 19-057, rate base was 1.4 billion.
Q Okay. Again, I'm going to Exhibit 2. I'm

looking at it from almost like a 30,000 feet level. I notice that most entries -- actually, all entries are negative, except for the normalizing adjustments. Correct, right?

A (Horton) That's correct.

Q And, if I understood it right, for the normalization adjustment, you had requested that for even other elements, not just these two?

A (Horton) We had included other normalizing adjustments, that's right, in our initial application.

Q Again, the question is for everyone, whoever can respond, including the DOE.

So, I'm just curious, what was the basis for, overall, like taking out the other normalizing elements or adjustments, and just keeping these two?

I just want to understand it.

A (Eckberg) I'll be glad to provide a response, Commissioner.

The Department's original approach to developing what we felt was an appropriate temporary rate increase level started at the same point here as Exhibit 2, which is with the

$51 million revenue deficiency. And, as you're aware, based upon the Settlement Agreement, the Company's proposed temporary -- originally proposed temporary rate increase was about $76.7 million. So, there was some distance between the per books revenue deficiency and their proposal.

The Department used an approach of including several adjustments, which we felt were reasonable and appropriate from our perspective. The Company's approach used a different approach in arriving at a number. Our numbers were ultimately very similar to each other. And, so, for the sake of a settlement agreement, we were willing to accept the Company's approach, which was removing these other normalizing adjustments and maintaining the two significant normalizing adjustments, which were related to the Consolidated poles transaction, which closed in May of the test year, and making the adjustments to the capital structure and the rate of return, using those elements that were from the last rate case, and in arriving at this Settlement figure.

Q I mean, I obviously don't get into accounting. My background you all know is economics. So, this question may be, like, "Oh, why is he asking it, everybody knows it?" But I'll ask.

So, "normalizing adjustments", is that typical, a part of the *pro forma* adjustments?

A (Eckberg) Well, a "normalizing adjustment", I think the language -- if it's the language, I think the "normalizing adjustment" is basically a *pro forma* adjustment. That's my understanding, not being an accountant either.

And I would say that this is what we have included as a compromise in the Settlement Agreement. I'm not sure whether that's something that's normal or not normal. But I think that it's normal to have -- to reach a middle ground between differences of opinion, differences in approach, either in calculating temporary rates or permanent rates.

And, for the purposes of moving forward with the significant work that's involved in the permanent rate case ahead of us, reviewing the Company's significant capital investments and storm expenses, and the details of the CCI transaction, which was finalized, the Department felt that this was a reasonable approach to take

to reach this Settlement. And we certainly feel that the rates established will be in the public interest and just and reasonable, so that we can move on to the significant work ahead of us.
A (Horton) If I may?
Q And the same question to the Company.
A (Horton) Thank you. I am also not an accountant. I don't think we have any true accountants on the panel. So, the term that we used for "normalizing adjustment" wasn't based on accounting or Generally Accepted Accounting Principles.
What we do in developing a rate case is we start with the test year as, you know, recorded per our books. And, then, we go through an extensive review process to look at essentially every entry recorded during the test year, to determine are there things that were -- occurred during the test year which were valid accounting entries. But, as we're developing our rates, or proposing our cost of service, are there things that happened in that test year that are out of period, not expected to recur, those sorts of things, you know, at a significant

level.

And what we did in our temporary rate, and it's our normal process is, for things that occurred in the test year, that don't reflect a "normal year", if there is such a thing, we would propose to normalize them out, such that what we're left with is, based on our test year, a normal level of expenditures, which would be appropriate for ratemaking. Different from a post test year adjustment or a *pro forma* adjustment, where we're then arguing and saying "Okay, that test year is too low", or, in some cases, "too high", for whatever reason. That second category are things that we had deferred for the permanent rate change.

The normalizing adjustments, as I mentioned, we did propose a number of them. And some of them were increases to our cost of service, and some were decreases. And given the fact that it was a relatively accelerated timeframe, and at a difficult time of the year for parties to get into the details, part of the Settlement tried to eliminate all of those normalizing adjustments, or did, except for two.

And the reason -- I can try to direct to why that was so important from a Company perspective, if it's helpful, I can point to a schedule to articulate?

Q Please do.

A (Horton) So, if you look at -- it's Exhibit 3, Page 7 of 27. What this schedule shows is our test year '23 unadjusted test year actuals. And it shows "Operating & Maintenance Expenses", "Other Operating Expenses", including depreciation and amortization. All arriving at our total test year PURPA operating income, which is, again, used as our basis for evaluating what is the test year per book amount, all else equal, what is that level of revenues we need, if the test year is representative of a typical rate year in order to get to our authorized ROE?

So, we started with that. And that's what showed to us that, just based on the per book, to get our operating income to a point that would allow us the opportunity to earn 9.3 percent, we would require a $51.2 million increase in revenues.

But, if you look at Line 51, where it

says "Amortization of Deferred Assets", you can see that has a negative number, meaning it's not an expense. It's actually an income, if you will. It's a negative expense of $7 million. Embedded in that are a number of things. But the biggest is a credit of $22 million for CCI, which, as I mentioned, were recorded as adjustments in the test year. They were debits to a balance sheet account, and a credit to expense, such that our actual operating income was reduced -- excuse me -- our operating expenses were reduced, our operating income was increased by that $22 million. If we didn't include any normalizing adjustments, which are shown in Column (C) on that sheet, and we just accepted the per book revenue deficiency of $51 million as an increase, we would have been saying that we would expect in the rate year, and going forward, to continue to have, effectively, operating income, or a reduction of our operating expenses, of $22 million, which we know will not continue. Those were one-time, isolated, significant accounting entries that occurred in the test year.

Q Thank you. Going back to the rate base. So, a very rough calculation tells me that the rate base has moved from 1.4 billion, end of the step increase year previously, to 1.7, let me call it 1.7. But, obviously, there's adjustments for depreciation and all of that.

So, give me a sense of how much was invested overall? And it may be somewhere in the filing. But, very quickly, over 2022-'23, because '23 is the test year, give me a sense of how much did the -- how much did the Company actually invest additionally or during that period?

A (Botelho) I have it from a rate base perspective, just not a gross plant perspective. So, rate base changes were approximately 275 million that was not covered by the steps. So, that is contributing to our revenue deficiency. The 2022 and 2023 investments placed in service during those calendar years were not included in any of the steps. So that the total investment in those years is contributing to the deficiency that we have.

And I'll pass it to Mr. Horton. I

believe he might have a breakdown, but it's in graphical form in our testimony.

A (Horton) Right. So, it is only in graphical form. So, I'm trying to approximate.

If you look at Exhibit 6, Page 11, Figure 2 shows the "Distribution Plant in Service". And, so, there you can see how accumulatively distribution system investments have grown since 2018. From at that time it was roughly looks like approximately 2.2 billion of cumulative distribution system investments in 2018. And, in 2023, cumulative distribution system investments grew to looks like approximately 2.75 billion. And, if you compare 2021 to 2023, you can see that, in 2021, we were approaching 2.5 billion, and, in 2023, again, approximately 2.75 or 2.8 billion.

So, it looks like approximately $300 million of cumulative plant additions over the period 2022 to 2023.

CMSR. CHATTOPADHYAY: Okay. Thank you. That's all I have.

WITNESS HORTON: Thank you.

CHAIRMAN GOLDNER: Okay.

BY CHAIRMAN GOLDNER:

Q I'll begin with Exhibit 6, Page 6 of 179. There's a quote from the Company, and I'll just read it, beginning on Line 8, that says: "The Company is experiencing unprecedented operating dynamics influenced by regional energy policy, new technologies, customer expectations, and again infrastructure, among other challenges."

So, I'd just like to understand what's "unprecedented" about the "operating dynamics", "new technologies", "customer expectations", and "infrastructure"? What's changing here?

A (Horton) Sure. I can speak to that at a high level. As part of our permanent panel of witnesses, we have much more qualified experts who are, you know, boots-on-ground with our system and our customers.

But, from my experience, I know that, certainly, the frequency and magnitude and impact of weather events on our system, vegetation management on our system, the age and condition of our infrastructure, in addition to customer expectation of system resilience and reliability. And the growing, albeit as compared to our neighbors to the south in our other jurisdictions, in Massachusetts and Connecticut, at a lower frequency and rate of adoption, are things like solar, electric vehicles, and other technologies that our customers are utilizing, in a way that leverages and relies upon our distribution infrastructure in new and different ways from in the past decades.

And, so, all those things are requiring an ongoing need to invest in upgrading the system, adding automation to the system, adding intelligence to the system, and, as I said, replacing and improving on the quality of the infrastructure that is in place to meet current needs and anticipation of our growing customer needs of the system.

CHAIRMAN GOLDNER: Okay. Thank you. And I'll just encourage the Company, in the full rate case, to make sure to document and quantify these unprecedented changes.

You know, for example, you know, customer expectation, I don't think there's anything unprecedented about customer expectations. They just expect the lights to come on when they flip the switch, and the heat to come on, and so forth.

So, I would -- I guess I would challenge perhaps some of these assertions. But we can save that that for the full rate case. And I would just like to ask the Company to pay attention to these comments in the full rate case, and bring the Commission and the parties evidence and data.

BY CHAIRMAN GOLDNER:

Q So, okay. So, just to sort of baseline a couple of things. When was your last rate case prior to 19-057?

A (Horton) I believe it -- hmm.

Q It was '09, I think?

A (Horton) I think it was '09. I was going to say "approximately a decade prior."

Q Exactly. So, I think the test years would be exactly a decade apart, '08 to 2018. And the Company went ten years without any rate cases or any request to increase.

So, what's different? What's happening? Why go ten years with nothing, and then have a pretty substantial change in 19-057, and then a much bigger change in this rate case? What's happening?

A (Horton) Well, there are a number of factors. And it's an excellent question.

The first to note is that, during that pendency that you mentioned, there were a number of things happening, that were both requiring, meaning the period from 2019 -- or, 2009 to 2019, a number of things transpired, that both required the Company to extend its rate case application, and allowed us to. Namely, one of them being the fact that we had a merger with Northeast Utilities and NSTAR Electric Company, which formed Eversource Energy, that allowed us to implement operating efficiencies, and which had cost savings, which allowed us to avoid rate cases and deliver benefits to our customers.

We also had divested our generation fleet in that period of time. And, as I recall, there were settlement agreements that provided for us to delay the application of our rate case until that divestiture was complete or at least well on its way.

So, those were two contributing factors

that caused us to go an extended period of time between 2009 and 2019.

Also during that time period, although we did not have a full rate class, we did have other supportive mechanisms in place, in the form of a program called "REP", which I'm blanking on, "Reliability Enhancement Program". In addition, we had more, and, again, I understand, Chair Goldner where you're coming from, my anecdotes may bounce off of you. So, we will -- are prepared to back them all up with facts. Just to that point, we have produced a panel of witnesses and presented our distribution system plan, that get into the real nitty-gritty about what is behind the things that I'm saying driving those investments. So, people much better prepared than I to speak to what's actually happening, and why we are making the investments that we are, are a part of our permanent case. And we fully expect all the scrutiny to come with that.

But, in addition, to having a period of time where there was sales volume increases, that helped to support our ability to stay out of rate cases. Where now we're seeing much less, or not much at all, sales volume increases on a year-to-year basis or on the horizon.

Coupled with the fact that there is an ongoing and increasing need to invest in the system, at ways and at levels that did not exist in the past, to get the system up to snuff, and to be ready for our customers' expectations and use of the system. It really is a case, as we mentioned, that's driven by the investments that have been made in the system, and our vision and need to continue to make those investments, in the absence of something like a merger that would allow us to extract costs out of the business, is causing there to be a significant revenue increase as you mentioned.

That's also, and I mentioned this on Monday at the technical session, and certainly not a discussion for today, but that is a key motivating factor for why we are also proposing to move towards a performance-based ratemaking framework, so that we can have a ratemaking framework in place, that holds us accountable along the way, provides transparency to all of you and to our customers about our performance, and also provides a ratemaking framework that would avoid or help to mitigate these large increases, which didn't exist during the period between our last rate case, or in the period prior to that.

CHAIRMAN GOLDNER: Okay. My encouragement, in the full rate case, would be tell that story, from 2008 all the way to current, so that you can -- the Commission and the parties can have a good idea of what's transpiring. What are the technological changes? Why is this getting much more expensive? I do understand the explanation on the acquisition process, and that makes sense. But we just need your help for that story, of why we're seeing this hockey stick, in terms of increasing rates. And I think it would benefit the Company to go back to the 2008 or 2009 rate case.

WITNESS HORTON: Thank you.

BY CHAIRMAN GOLDNER:

Q And, then, the next question, this is probably in the full rate case, it's not in these documents, at least not that I can find, but can you speak to how much your load has increased since the

2018 test year, just the load? And is it roughly flat or --
A (Horton) I cannot. I would defer to anyone who knows the answer to that.
Q Mr. Eckberg, do you have any idea of the load changes since the last rate case?
A (Eckberg) No. I don't have that information available.
Q Okay. Because I think -- I think it's pretty flat, I think. And that can be something perhaps we can verify on a break, if you can just check on that please.
A (Eckberg) And if I may, Mr. Chairman?
Q Yes.
A (Eckberg) And it's important to be aware of not just the load, in terms of the annual total kilowatt-hour sales perhaps, but, in terms of the monthly peak loads that are on circuits, that's also, I think, a very determinative factor that would go into the Company's need to maintain or increase the size of various distribution circuits. So, that could be a driving element in its investments as well.

Even with a flat overall kWH sales, or

decreasing, as Mr. Horton talked about, the changing nature of the usage of the distribution system, with EVs or things like that, can impact the investments needed in the system.

So, I just point that out as a reference point.

CHAIRMAN GOLDNER: That's an excellent point. And, again, I would encourage, in the rate case, you have two engineers in the docket, and we like data. So, bring the data, show us peak, show us average, show us -- show us why. Because, if you're looking at it from a member of the public's perspective, or the Commission's perspective, frankly, it's -- if your load is flat, and you have a 47 percent increase in your distribution costs, it sort of -- it sort of doesn't make logical sense looking at it from the big picture.

BY CHAIRMAN GOLDNER:

Q And I'll just follow up, because maybe I'm missing something else, to Mr. Eckberg's point, in terms of how to look at this data. But maybe you've added a lot of customers, if your customer base has gone way up, or you're adding a lot of additional connections, that could also be a reason for costs increasing.

So, I don't know if you have anything for us today on that, or if that would be something that you would prefer to -- please do elaborate in the full rate case. But can you speak to the number of customers that you've added in the last, you know, five years or so?

A (Horton) I mean, we can attempt to get these numbers on a break for today. It's certainly something we can provide as part of the permanent, or a follow-up request.

I would say that I agree with you, in the sense that load overall or kilowatt-hour sales overall, and that's, you know, I alluded to it, are relatively flat. We're seeing modest increases due to weather or changes over the year, and I would say and I would expect the same trend for customer growth. It's not at a level that is supporting the investments in the system.

But, to your point, it's on us to demonstrate the need for those investments. Whether it be due to age and asset condition of the system, which would not be directly attributable to customer load or anything, but for the fact that we need to replace something that is, you know, decades or, in some cases, not even kidding, century old. And that was something we had talked about in our case in 19-057 as well.

Not to go back into time, but we, you know, we were experiencing, at that time, increasing infrastructure investment needs on our system, and had proposals in that case surrounding our need for those investments. As part of that settlement agreement, we agreed to a number of follow-on activities which delved into those, in the form of a TRC audit that looked at our practices and policies, around how do we plan, engineer, and design our infrastructure improvement projects; as well as a business process audit that looks at how do we identify and track and monitor our capital authorization processes. And, I think, from the Company's perspective, we were very pleased with those outcomes, and had some constructive feedback. But by and large were supportive of our polices, which is to say that the investment -- in our view, gave a clean bill of health that the investments that we're making, the way that we're designing and constructing and approaching our infrastructure needs are valid, and in line with industry standards, and in terms of how we're managing those projects.

And, so, we've tried to reflect that in our initial filing as well. But your point is very well taken. And, believe me, we know that any increase is a challenge for our customers, and needs to be fully documented and supported. And we certainly welcome any scrutiny, and look forward to trying to convince you, and others, of the need for the revenue support that we see in order to serve our customers.

Q Because what's hard to understand is that, you know, you've got capital that you're replacing, and a lot of times it's older, it may be 20, 30, 40, a hundred years old. And, obviously, it cost a lot less being 20, 30, or 40 -- I shouldn't say "obviously", but I think often it costs less, if you're buying a transformer, something like that. If you're buying semiconductors, they're cheaper. But, if you're buying large devices, they're probably more expensive.

So, one can understand sort of a rate of inflation kind of increase. You write off the old asset, which it has been getting depreciated. You put the new asset on the books and start to depreciate it. The depreciation rate is going to be larger on the new asset than it was on the old asset, because the new asset is more expensive. So, you can get your head around costs increasing kind of at a rate of inflation.

But, when you see a rate increase of 47 percent, in addition to the steps, in addition to the increases in 057, it's just hard to understand.

And, so, temporary rates, or permanent rates, maybe you could comment on the depreciation picture, because I don't understand?

A (Horton) I think, well, in the temporary rate change, we've simply applied the existing depreciation rates to the plant that's in service as of the test year.

As part of the permanent rate request, we do have a depreciation study, as is typically part of a rate proceeding, which would contribute to the permanent rate deficiency.

But I think your point is that, in the absence of sales growth overall or customer growth causing the need for additional investment, the going-in expectation would be what you're saying, that rates should be generally aligned with inflation, because you're simply replacing infrastructure that previously was in service.

But I think, and this is where you're challenging us to convince you, but the reality is, and this is true for not just PSNH in New Hampshire, not just Eversource in New England, but I would say for all utilities across the country, certainly here in the Northeast, where you have the dynamic of you have aging assets, which need to be replaced, which may have zero value in rate base because of their age, and the period of time that they have been in service to our customers. You have customers using a system in new and different ways that have not previously been the design of the system.

You have a number of factors that are contributing to the need for the utilities to do things differently. And you don't have corresponding sales growth, because of highly effective energy efficiency programs, and customers who are very cognizant of their energy use and trying to reduce their kilowatt-hour consumption. So, when that happens, it puts us in a bind. And, again, we've seen this at Eversource, in our other jurisdictions. And it's a common challenge for the industry, as we look ahead, customers using the electric grid in new and different ways, which requires there to be infrastructure investment, to enable the grid to handle that and not have blackouts.

When you don't have natural revenue support increases to align with that, it causes there to be rate increases for customers, which are always a challenge. And, again, it gets back to why we're looking, and other jurisdictions are looking, at implementing performance-based ratemaking, as a way to try to enable the rate changes to be more smooth and modest over time, given the Company's inability to access capital needed to make those investments, while retaining the incentive so that we're doing so as efficiently as possible, knowing that any rate increase is a challenge, and we want things to be more modest and manageable over time.

CHAIRMAN GOLDNER: And, so, I guess, again, in the permanent rate case, if there are costs that are going up, and certain elements of your customer base, if there are certain bucketizing of those costs that needs to be done differently, we would want to hear more about that. Because, if costs are going up, it must be attributable to some thing, and there's some customer or a group of customers that are driving that. So, making sure that those costs are reflected in the right bucket are going to be very important to us.

So, okay. Thank you for that.

BY CHAIRMAN GOLDNER:

Q Okay. One more question in this vein, and that is to ask about how this increase, $61 million, compares to the last temporary rate increase, which I have in my notes is $28 million, so this is more than twice as much, in terms of what's being requested this time. And, so, I'll actually ask this question of Mr. Eckberg to begin with.

Similar to the logic on WACC, Mr. Eckberg, where I think the Department's position was "Hey, let's" -- "We've already adjudicated the weighted average cost of capital from the prior rate case. Let's just overlay that on these temporary rates." Why wouldn't we -- or, why wouldn't the Department employ the same logic with the overall dollar increase?

In other words, did the Department consider or did the Department look at increasing by $28 million, rather were 61, because that was what the history showed, just like weighted average cost of capital?

A (Eckberg) We were aware that the prior -- the temp rate increase from the prior docket was considerably smaller. But I think, again, it's not necessarily appropriate to look simply at the dollar amount, but perhaps, as a percentage, what was the temp rate -- what was the temp rate increase as a percentage, for example, of the total permanent rate increase.

I think that might be a more applicable metric to look at. Because, for example, here in this case, the permanent rate increase, as we've heard, is significantly larger than in the prior rate case as well. So, looking at the temp rates as a portion of the permanent rate increase is another thing to look at.

So, but, you know, we tried to start, as I described, with the per books revenue deficiency as the most appropriate starting point. I don't think that with a $51 million revenue deficiency showing in the books and records of the Company that providing a $28 million temp rate increase would really be a legitimate -- legitimately sufficient increase.

Q Okay. Thank you. Okay. So, I'm not sure who to address this to, but anybody from the Company can answer these questions.

Have you notified customers of the plan to increase rates on August 1st, 2024?

A (Botelho) Yes. There's a requirement, we had this in the presentation on Monday, but there's a requirement, standard filing requirements, where we issue a letter to customers. I can get you the filing requirement, but a notification did go out.

Q Okay. Thank you.

A (Eckberg) And, as an Eversource customer, I can say that I did receive a letter. So, thank you very much for that communication.

Q And the game was rigged. I'm holding mine in my hand.

[Laughter.]

BY CHAIRMAN GOLDNER:

Q So, and in that document -- and again I know the answer to some of these questions, but just, you know, I'm sort of trying to make sure that we're all on the same page. Did you communicate the increase in distribution rates or only the change in the total bill rates?

A (Anderson) I don't have it in front of me, but, from recollection, I believe we state everything on a total bill basis, which is what a customer -- we believe the customer is mostly concerned about.

Q Yes. And that's what you did, I think at least in the letter that I received, maybe there were different letters. But, in the one that came to me, that's what it did say.

And, so, you know, I struggle with that

a little bit, because, yes, the customers care what the total bill is, that's for sure true. But, also, it understates significantly the amount of distribution, because the charges that are attributable to Eversource, Eversource is driving the distribution piece. And those increases are, in the full rate case, I think 47 percent. And, in this temporary increase, I think it's 17 percent, something like that. So, I just -- I'm concerned that the notification is perhaps not clear, in terms of how much the rates are actually changing relative to distribution.

So, can you maybe talk about, you know, who's responsible for these communications, and how that process works?

A (Horton) Sure. I mean, we have a communications team dedicated to communicating with our customers and stakeholders at large. Generally, we coordinate and collaborate together on what goes into those. And I'll say from me experience, and this is not at all intended to hide the ball, we're trying to communicate with the customers who typically have less of an understanding, certainly than anyone in this

room, of what is actually on the bill.
Q Maybe I can get a special letter next time?
A (Horton) I'll take that back.
Q All right.
A (Horton) Because my experience is that, and, certainly, I guess I'll just speak for myself, although it goes back 17 years, I had no idea what went into the bill, that we don't own the generation. There was so much was new to me, and I think that is still true. And the fact that, you know, the distribution portion of the bill, I don't have the percentages here, is 20 to 25 percent of the bill, is not something that most customers understand. More than half of the bill being things that the electric distribution company can't control, is not something that resonates with the customer, and would cause confusion if we were throwing out different percentages. You'd almost have to have all of that background in a letter, which is intended to, you know, provide notice of an expected rate change.
In my opinion, this is certainly subject to discussion, and for others more

expert -- I'm not trying to pass the ball to everyone else but me here. But, in my opinion, and I think it's subject to discussion, is how much -- how to balance that transparency with not wanting to confuse customers, and providing too much information that they just don't care about or have the time to care about. And I think that is really what's behind, if you were to try to explain, you know, "It's a 43 percent increase on 25 percent of your bill, delivering a 5 percent increase overall", we're losing them at the first sentence.

And, so, that's all we're trying to convey. But we're open to input and discussion on that. But, ultimately, we're trying not to confuse our customers and get them the information that they need on what's going to impact them, and we focused on total bills for that reason.

Q Does your communications team communicate with the DOE on these letters, or is it something that just comes straight from Eversource?

A (Horton) I don't believe we, you know, seek approval of the DOE. Perhaps Mr. Eckberg can correct me.

A (Eckberg) I would agree. I don't believe that there is an approval process. But there is a requirement and notification. And the Consumer Affairs Division, I believe, does receive notification, or a copy of those letters when they're prepared to be mailed out to customers, yes.

Q Okay. I just wonder if there would be more than two members of the public here today, if it was a 47 percent increase, rather than a 15 percent increase, or something like that, right? It's just -- it just seems like something that perhaps we should consider on improving on over time.

Okay.

A (Eckberg) If I may, Mr. Chairman?

Q Yes.

A (Eckberg) Let us not forget that the residential ratepayers do have the appointed representative in the room, who I'm sure will advocate vociferously for their interests.

CHAIRMAN GOLDNER: Does the Consumer Advocate review these letters or get any feedback from the Company? Is there any process for that?

MR. KREIS: Is there any process for --

CHAIRMAN GOLDNER: So, the letter goes -- went out from Eversource on July 17th, informing the customers of the proposed rate changes. And, so, the Department just said that they don't review the letter that goes out, but there is some communication, I think, between Eversource and the Department.

So, I'm just asking if there's any communication between the Office of the Consumer Advocate and Eversource on these notifications?

MR. KREIS: There is not.

CHAIRMAN GOLDNER: Okay. Thank you. Should there be?

MR. KREIS: It would be helpful, yes. Historically, there were, it's my understanding at least, that there are discussions between a utility, speaking generically, and the Consumer Services Division, of what is now the Department, and what used to be the PUC, about that. But the custom has not been to run those letters by the Office of the Consumer Advocate.

Would we like to have input about that? Yes.

I have, on occasion, I think with Liberty, made an effort to significantly rewrite those communications. I can tell you that the utilities would not like the way I would recommend letters like that be issued. And, so, they have tended to swerve around the OCA. Because we would favor a very forthright and nontechnical characterization of what a rate case is, and what a specific utility is proposing via a rate case.

CHAIRMAN GOLDNER: Okay. Thank you.

Okay. One thing I noted in the letter is it talks about -- it does inform the people, on the positive side here, that the cost of a utility pole has increased 30 percent since 2019; the cost of a transformer, 130 percent; the cost for a spool of distribution wire, that's very specific, nearly 50 percent. So, there is, you know, so, there is an attempt to educate the consumer here.

One thing I would like to mention, again, not for the temp rate case, but for the permanent case, is I would like for the procurement folks from Eversource to be here in person, so that we can talk about what they're doing to reduce costs. It's one thing for the vendor to say "Hey, our spools have gone up by 50 percent." But then what? Is there a tough negotiation going on? What leverage is being used? What is Eversource doing to get a handle on these costs?

I have no doubt that the costs are going up, but you also probably have some pretty tough procurement folks that are working it. And that would be good, I think, for the Commission and others to know, what are you doing to reduce these costs.

Okay. I have a few more questions, not much, maybe ten more minutes. What we can do at this point is take a -- let's take a ten-minute break. I'll come back and finish up, the Commissioners can follow up with additional questions. We'll move to redirect. And, then, more than likely wrap up the hearing before lunch.

So, let's take a ten-minute break, returning at 11:10.

(Recess taken at 10:59 a.m., and the

hearing reconvened at 11:12 a.m.)

CHAIRMAN GOLDNER: Okay. I'll pick back up with a few questions, and then Commissioner Chattopadhyay has a couple, and then we'll move to redirect.

BY CHAIRMAN GOLDNER:

Q So, Mr. Horton, I just wanted to follow up on one of the comments you made before the break. And I think what you were saying, and I'd like to clarify, that the Company is, if I can call it this, "shooting ahead of the duck". So, there's a projection of electrification, and the Company is trying to get ahead of that. And that's why we're seeing this significant increase in the build plan.

And, so, I'd just like to give you a chance to comment on that.

A (Horton) Yes. I think -- I don't think that's the essence of our -- where we are, where we're heading. Certainly, that is a factor that goes into our planning process. But I think it's best if we leave that to the experts.

You know, we know that it's a hot topic looking at our infrastructure investments, and what is driving those. And, so, anticipating there being a lot of questions and scrutiny surrounding that, we prepared and presented a panel of witnesses that presented a comprehensive distribution system plan, that shows what goes into our planning process. And, in that plan, it shows that, while our overall load growth is relatively flat, as we've been saying, from a distribution system planner perspective, they have to take into, not the overall sales growth, but really down to a circuit level, and plan at a substation level. And, so, within that plan, it goes through all of the inputs that factor into our infrastructure investment equation.

Future expectations is one of them. But I really would need to leave it to the experts to elaborate on what happens, and what drives the need for us to start an investment. And my understanding is, it's more the future expectation comes into play when we have identified an urgent or emergent system need, that when we go to make that infrastructure improvement because of an existing need on the system that is to be prioritized now, we take into account future expectations, to the extent we know them, so that it doesn't require us to go back and make the same investment twice.

But I'm getting over my skis, I'm a numbers guy. But that is why we put in the Distribution Solutions Plan and that panel, who are on the front lines of all of this, and can speak to it much better than I.

Q Okay. So, again, in the rate case hearings, we would be very interested in knowing how the Company, besides the looking backward portion of the load, the looking forward portion of the load, what the Company is assuming. Understanding that there's layers of detail under the load itself. But what does that projected load look like? Because the casual observer might assume it's a hockey stick, in terms of load increase. But I think what you're suggesting is that's not the case. It's still relatively stable, in terms of what you're assuming, and that the underlying infrastructure improvements are what's driving the change.

A (Horton) In that, as the overall may be relatively flat, individual there are pocket loads, or even existing circumstances where a substation that is in service may already be overloaded from our planning criteria perspective, which is what's causing us to initiate the replacement in the first instance.

But that's all I have today.

CHAIRMAN GOLDNER: I think that would be important evidence in the full rate case.

WITNESS HORTON: Yes.

CHAIRMAN GOLDNER: Okay. Thank you.

BY CHAIRMAN GOLDNER:

Q So, I just want to ask one follow-on question to the IT -- on the IT issue. We've had many discussions in this hearing room on IT. And, when the Commission asks for a change in the IT system, we often get the answer that "It's going to cost millions of dollars, that the Eversource IT system is old and dilapidated."

With these costs that you're proposing in the rate case, what can we expect in the future out of the Eversource IT system?

A (Horton) When we're talking about the "enterprise IT infrastructure", that is all things. So, it's the Outage Management System. It's our invoice processing system. It's a whole host of information technology solutions that support us in serving our customers.

We don't have -- you're referencing the billing system, which are older systems, and do require costs to be incurred for manual changes. We did address this in our initial filing. As we're looking at replacing that system, we are planning to do so as part of an Advanced Metering Infrastructure deployment, because having a state-of-the-art billing system will help us to unlock additional benefits that would pair nicely with AMI. But both a billing system replacement, and an overall advancement to AMI, or Advanced Metering Infrastructure, metering infrastructure is an expensive endeavor, and one that, for us, is still several years away.

We had proposed, or, again, as part of the last proceeding, had embarked on advanced metering functionality assessments, which evaluated certain scenarios for moving to AMI, and that assessment confirmed that it's still multiple years away.

So, there is not a proposed -- a

proposal for replacing the billing system or a cost recovery proposal associated with that.

Q Okay. Thank you. Does the Department have any comments on the replacement or upgrade of the billing system and this rate case?

A (Eckberg) Not -- no specific comments as part of this Temp Rate Settlement. I'm sure that we'll be looking at the IT system upgrades, as well as the other issues, which you've identified in your questioning, regarding the Company's capital investments. And are they, for instance, spending to meet a need that may not be -- may not come to fruition, or may come to fruition at some distant point in the future?

I think these are all interesting things to look at as part of the -- our review of the Company's extensive documentation that they had provided as part of the permanent rate filing. And we, as well as our engineering consultant, will be looking at many of those issues.

Q Okay. Thank you. Okay. Just a couple of additional questions to wrap up.

So, I am sort of baffled by the

vegetation management filing, and particularly the PPA with Consolidated, which was, of course, adjudicated here, I think, in 2022. So, what I see -- what I think I see when I look at the filing is, a massive increase in costs due to these additional poles. And, then, when I look at the reliability data which you filed, I didn't see any significance difference due to the upgrade of these poles. It looked -- the data was, you know, pretty consistent over the last four or five years. There was no change in the trend line.

So, I'm just trying to -- I'm struggling with how ratepayers benefited from the pole transfer?

A (Horton) Sure. If we go back to that transfer, and I recall sitting on the stand, and, Chair Goldner, I remember I used the term "one throat to choke", and you liked that. I don't know if you remember. But the idea was that we had joint -- previously jointly owned the poles with CCI. And that Joint Ownership Agreement, which had been terminated by CCI, called for Consolidated Communications to pay for a portion of the vegetation management that was being done; which they weren't paying.

And, so, a big motivating factor in having Eversource purchase those poles, or the portion of the poles jointly owned by CCI, was to essentially get them out of the equation. Because this is what we do well, it's our core business, and it was no longer CCI's.

It was not that we were purchasing those poles to do more vegetation management work. But, by us purchasing those poles, it then meant that, and on balance of that pole acquisition and approving that, I think the idea, that was endorsed by the Commission in approving that, was that Eversource will now own the poles. CCI will no longer have responsibility for the vegetation management or the maintenance of those poles, as being two different things, but the vegetation management piece now would be part of our overall cost. And that is a large driver, when we look at the increase in vegetation management expense in this year, as compared to in our last rate case.

In our last rate case, we would have

assumed, and did assume, that CCI would pay a portion of the baseline vegetation management work that we were doing. And, again, they weren't paying it, but our rates were set reflecting that they would pay it. Whereas now, 100 percent of the vegetation management around the poles is part of our cost of service, and then attributable to our customers.

In terms of the reliability enhancements, I would expect that to be realized and recognized over time, and would probably be harder to see. But that will be a result of us inspecting the poles that were previously in the CCI custodial jurisdiction, in which they were not replacing the poles to our standards.

As we now have ownership of the poles a little more than a full year's worth under our belt, you'll start to see those poles that had failed inspection or were not adequately maintained be replaced, and then you'd see, I would expect, into the future reliability improvements. I don't know how much that's going to stand out. But I wouldn't expect it to be seen in the history, based on what I just said.

CHAIRMAN GOLDNER: Okay. Again, an encouragement to help the Commission understand the benefits from the transaction, in terms of reliability and so forth. And you can just isolate the poles that were in the -- that were part of Consolidated's grouping, as opposed to averaging it across all the poles in Eversource in New Hampshire, that may be a lot easier to see. But we would expect to see an improvement in reliability in exchange for the increased cost.

Okay. So, the -- just a moment here.

BY CHAIRMAN GOLDNER:

Q So, I'll ask a question to all the parties, including the OCA, though they're not on the stand. Just relative to a traditional concern of rate shock. I think that's often a topic in rate cases.

The $61 million, I'm reading in the Settlement, equates to 14.64 -- a 14.64 percent increase in the distribution portion of the customer's bill, which is the portion that Eversource controls, and is an appropriate, I think, percentage to apply in this forum.

And, so, perhaps starting with the Company, can you address the rate shock issue?

A (Horton) Certainly, I can start. And, again, I think there are differences of opinion. And, in our experience, in our communications with our customers, we understand that the majority of customers are interested in the totality of the bill that they pay, which is why, and we've had this discussion, so I don't want to belabor it, we're focusing for them on what is the overall impact that they would see from their rate change.

Part of what was behind, at least from the Company's perspective, in landing at a settlement increase or a temporary rate increase at this level, was also looking ahead to the permanent rate change, and knowing that, if we were to set rates lower as part of the temporary rate change, it would only serve to exacerbate the permanent rate change, provided that permanent rate change is approaching or approaches our request, which certainly I'm biased, and I feel is reflective of our cost of service and just and reasonable rates going forward. So, that factored into it.

But, also, we know that any increase is difficult for our customers, and I've said this a couple of times. And we have concerns that if we don't have a companion ratemaking framework coming out of this case, that we could find ourselves going forward in a position of having and experiencing these types of rate shocks for customers on a more frequent basis, because we know what the system needs, and the investment that it's going to require, to keep the lights on when customers flip the switch, and to keep the heat turning on when they're relying on it. And that's why we're proposing to move towards a performance-based ratemaking approach as well.

So, we're doing what we can with the Settlement Agreement to mitigate the rate increase of customers on a temporary basis, while with an eye towards what will be the impact when we implement permanent rates, and then beyond that.

Q Okay. Thank you. The Department of Energy?

A (Eckberg) Well, I would say that the Department is comfortable with the Settlement level temporary rate increase. We are always mindful of the impact of rates on all customers. That's certainly something we are concerned about.

But, based upon the books and records, the financial reports filed by the Company, and the several adjustments that have been included here, as shown in Exhibit 2, we do feel that the total Settlement revenue deficiency for temporary rates is an appropriate level of rate increase at this time.

We look forward to aggressively investigating the Company's full permanent rate increase. I cannot speak to what the ultimate outcome will be there. So, I don't really know what this percentage is, in terms of this temp rate increase, compared to the ultimate permanent rate increase. But we will see in the due course of time how that works out.

Q In your long experience at the Department, and formerly the PUC, what was the largest temporary rate increase that you've ever seen?

A (Eckberg) I don't have any specific memory of what number that would be. I would think that --

Q Have you seen anything larger than this in your recollection?

A (Eckberg) I would -- I would guess, probably not. Eversource is, obviously, the largest electric utility in the State of New Hampshire, and probably the largest utility of all practice areas in the state. And this is a large rate case, and a large temp rate request, certainly.

So, I would guess this may very well be the price winner in that regard.

CHAIRMAN GOLDNER: Okay. Thank you, Mr. Eckberg.

And I'll give the OCA an opportunity to comment on the rate shock issue as well, if you wish?

MR. KREIS: Thank you, Mr. Chairman. Given that our Office signed the Settlement Agreement, I'm obliged to appear here today defending and promoting it. So, my ability to speak freely about what I think of rate shock, as it relates to Eversource, is somewhat circumscribed.

The standard in the statute for granting temporary rate requests is very lenient and favorable to utilities. And we are aware of that. The Commission should -- is aware, and the public should be aware, that it's conceivable at least that permanent rates would be lower than the temporary rates.

In particular, as is consistent with the law, the Settlement Agreement basically relies on the previously approved return on equity of 9.3 percent. If I ran the world, the approved return on equity in this rate case would be 200 basis points lower than that. Because the Company is endeavoring here to insolate itself from a lot of the business risk that investor-owned utilities typically face.

So, I worry about rate shock all the time. And this Company, and lots of other utilities, put out misleading propaganda about rate increases. And the misleading propaganda is something like "Well, we're increasing our distribution rates, but that's just a small percentage of our overall rates. So, really, the rate shock here is mitigated by the fact that we're really just increasing overall rates by some small percentage." But what that ignores, of course, is that there's upward pressure on essentially all of the components of rates.

Transmission costs are soaring throughout New England. There's upward pressure on energy rates all the time.

And, you know, here the Company comes along and files a rate case, and says "We'd like to increase our distribution charges to residential customers by something like 47 or 48 percent." That's vastly in excess of inflation.

And, so, the Commission is well advised to be concerned about rate shock. I think that's something we're really going to have to have out in a forthright way during the permanent phase of this rate case. That's what we're eager to get on to.

CHAIRMAN GOLDNER: Thank you. And, then, I'll just make one final comment by moving onto the last topic.

And that is that, by using the percentage of -- the bill impact percentage, there's sort of perverse motivation to have higher supply rates, higher transmission rates and so forth, to make the bill impact look lower. And I'm just suggesting that that could be a perverse motivation in terms of looking at it in that way.

BY CHAIRMAN GOLDNER:

Q The final thing I'll just ask is a tactical one. What is the interest rate that will be used during the temp rate period? So, is it the Prime Rate? Is it something -- is it cost of debt? Is it something else?

So, to the extent that there's carrying charges in this period over the next year, what is that carrying charge?

A (Horton) On the Storm Fund balance?

Q On any -- any carrying charges, I don't know what they would all be, the Storm balance would be one. But you -- can you -- I don't know if it was part -- I don't think it was in the Settlement Agreement. So, I don't know what the carrying charges would be.

A (Horton) It wasn't in the Settlement Agreement. I think it's safe to say, I can't think of other carrying charges that would be applicable. But whatever is the currently authorized standing would be -- remain in effect until the permanent rate change.

We have proposed, as it related to storms, to change the applicable carrying charge, which would not come into play until, you know, approved by the PUC. So, whatever, across the board, whatever is currently in place would remain in place.

CHAIRMAN GOLDNER: I might have missed it in the 20,000-page filing. But I would be very interested in the discussion and adjudication of those -- of those interest rates of those carrying charges across all the different pieces of the business.

And this question of "Prime Rate versus cost of debt" would be one that I think would be worthy of discussion in the rate case.

Okay. With that, that wraps up my questions. I'll move to Commissioner Chattopadhyay.

CMSR. CHATTOPADHYAY: First, excuse me, a comment. And I'm going to go back to the discussion about sending letters to the ratepayers.

I really think we sometimes overdo the thinking that the ratepayers don't understand stuff. And it's really a disservice to them. In some ways, it's -- there is a way to explain to them that the rates that they see in the bills, part of it is the energy component, and that, as well as transmission, they are generally passthrough. That is not what the rate case is about when you're in New Hampshire.

So, it is important to focus on the distribution piece. And I'm sure there are smart people out there who can explain a rate case in a way that is not too technical, and yet capture the essence of what your rate case is all about.

So, to me, I'm going to stress the need to be very forthright about the increasing rates, relative to the distribution piece, because that's what you control. You don't control the others.

And, in some ways, there's a benefit to doing that overall, because a lot of ratepayers, it may well be true, don't understand that the New Hampshire Commission doesn't necessarily, you know, regulate the energy pieces. I mean, it just does it indirectly through what is the RFP and what is the procurement mechanism. But it's all passthrough. So, it is important that we improve the messaging going forward.

Enough said.

BY CMSR. CHATTOPADHYAY:

Q The question I have is, there was talk about "enterprise IT", you know "projects". I -- and there was a mention of "Service Company". The Service Company, does it do it for all the states, for all jurisdictions? A question.

A (Horton) Yes. So, yes.

Q So, do they have a particular way of allocating costs? Can you just provide some, you know, enlighten me on that?

A (Horton) We do. And it's really system by system. So, the Service Company generally will -- we will, if we have an IT system that will benefit more than one operating company, in general, we will account for that at the Service Company level, and then allocate the cost out to the benefiting operating companies.

When we do that, our accounting group, working with the business areas that rely on that system, go through, by each individual systems, an evaluation, and we have an accounting manual that guides this process, determine what is the appropriate allocation methodology. Is it number of customers? Is it total plant in service? Is there some other allocation factor that's appropriate to apply? And, then, that is applied at the Service Company to allocate the costs out to each operating company.

Q Do you know what is the overall percentage of the entire costs that is assigned to New Hampshire, or PSNH?

A rough number would be good enough.

A (Botelho) I'd have to confirm. I'd have to confirm, I think it's around 6 percent of the total.

Q Okay.

A (Horton) And that's -- so, we both have to confirm, but that's the same percentage that I was going to float out there.

Q Okay. So, the $12 million that you were talking about at 6 percent, or that is 6 percent of the total costs?

A (Horton) Correct.

CMSR. CHATTOPADHYAY: Okay. Thank you.

BY CHAIRMAN GOLDNER:

Q And just wrapping up for the Commission, did you have a chance on break to look at the load and customer increases?

A (Horton) We did. In the permanent rate filing, I believe it was Exhibit 3 -- or, excuse me, Figure 3 in our testimony, which showed that historical load and customer growth over time. And it confirms what we said anecdotally, which was that you're not seeing overall a large increase in forecasts of load, both in terms of the measure of number of customers or in terms of the kilowatt-hour sales.

And what was that Bates stamp?

A (Botelho) It's Bates 1424, in the initial filing.

A (Horton) But, in addition, and as I mentioned in one of my responses just now, we also filed a Distribution Solutions Plan, which goes into great depth around how we plan for distribution infrastructure needs, and that you look at not only on a region-by-region basis, but down to the substation or the circuit level, which is what drives our need to construct distribution infrastructure.

CHAIRMAN GOLDNER: Okay. Okay, thank

you.

Okay. Very good. Commissioners, any additional questions?

[Cmsr. Simpson indicating in the negative.]

CMSR. CHATTOPADHYAY: No.

CHAIRMAN GOLDNER: Let's move to redirect, beginning with the Department of Energy?

MR. DEXTER: No redirect.

CHAIRMAN GOLDNER: And Eversource?

MS. CHIAVARA: Also no redirect.

CHAIRMAN GOLDNER: All right. Very good.

Thank you to the witnesses today for the testimony. Very helpful. And the witnesses are excused.

Having heard no objection to the proposed Hearing Exhibits 1 through 6. We will strike their identifications and enter them into evidence.

I think, at this point, I'll offer the opportunity for a close, beginning with the Department.

MR. DEXTER: Thank you.

I guess the short -- the short version is we recommend approval of the Settlement.

In many ways, the Department agrees with the Consumer Advocate's Office, who stated a couple of times today that the permanent -- the temporary rate statute is very favorable towards the utilities. It provides them a temporary rate increase within a short period of time after a case is filed, and, so therefore provides really a limited amount of review. And the statute does set forth some standards for what's included in temporary rates. But the temporary rate standard -- statute, 378:27, coupled with the recoupment statute, 378:29, we agree is designed to provide revenues to the company during the pendency of the rate case. Which, in my experience, I've done these in four states, I don't believe temporary rates exist in the other states that I've worked in.

So, having said that, we're tasked with complying with the statute as it's written, irrespective of its intentions, or who it favors or who it doesn't.

The statute allows the Company to collect temporary rates that provide a reasonable return on the cost of property used and useful, less depreciation. And, in order to receive a reasonable return, that would include a return on the plant, plus a reasonable level of operating and maintenance expenses. And it requires that those rates be calculated based on figures that are shown in the reports of the utility on file with the Commission and the Department.

And, so, you've heard a lot today the calculation starting with a per books calculation. And we believe that's an appropriate starting point. The per books calculation would be traceable to the Company's FERC Form 1, which is on file with the Company -- with the Commission and with the Department. And the idea is to base the rates on the test year figures.

When we, at the Department, reviewed the initial filing, we saw a number of adjustments to those test year numbers. And, through the course of negotiating, we removed all but two of the normalizing adjustments from the calculation, to bring us back to the per books calculation as best we could through negotiation.

On the other side of that, there was a corresponding change to how the storms were treated.

But, if you look at the calculation that's provided, it not only removes those normalizing adjustments. with the exception of the Consolidated pole-related adjustments, it also removes prepayments from the calculation as a rate base component. It removes regulatory assets and regulatory liabilities. All in an effort to simplify the calculation, and to stick to the statute, 378:27.

The Chair asked an interesting question, you know, "could we go back and, you know, take the number from the last case?" And it is an interesting question. And I think Mr. Eckberg gave a very reasonable answer. But I just want to supplement that with I don't think that approach would comply, in our opinion, would comply with 378:27, because that allows the Company's rates based on the property in service now, not as it was, you know, back in 2019, when the last case came in.

So, we would recommend against that approach, because we don't believe it would be compliant with the statute.

You know, having said all -- a word on the capital structure. We did go back to the last case, and plucked a couple of numbers from the last case and used those in the calculation. We believe that's consistent with how temporary rates are typically calculated, certainly using the ROE piece from the last case. That's a figure that is important in setting the rates, the ROE percentage. And it's also a figure that is almost always contested in the permanent case. And, so, it seems to be the practice, and very reasonable approach, for parties to use the number that was last established by the Commission, having gone through the full practice. And that's what was done here with the ROE percentage.

With the equity ratio, sort of a similar approach we took here. The percentage of equity in the capital structure can often be set -- is set during the case, can often be a contentious ratio. Sometimes it's set on the company's per books numbers, often if there is a regulatory capital structure in place, if the per books numbers aren't representative of, you know, what a utility needs. So, in this case, we went back to the last case and took the equity ratio from the last case.

The capital structure and the weighted average cost of capital that's presented in the Settlement does reflect the current cost of debt, which, if you look, was actually a little bit lower than what was incorporated in the last settlement.

So, those are -- we tried to keep the changes as few as possible, I guess is what I'm saying, and trying to be consistent with 378:27.

We did allow for -- we did agree to adjusting the per books numbers for the Consolidated transactions as presented by the Company. In the short time that we had to discuss this, they made a case that was reasonable in our view, that to ignore those sizable test year out-of-period transactions would not provide them the reasonable return that's required by the statute. And, for purposes of settlement for temporary rates, we agreed to it. As we've stressed throughout the day, the Settlement is quite clear that none of this is precedent-setting for the permanent case.

So, having said all that, the Department of Energy recommends approval of the Settlement. Thank you.

CHAIRMAN GOLDNER: Thank you. We'll move now to the Office of the Consumer Advocate.

MR. KREIS: Thank you, Mr. Chairman.

I don't really think I have very much to add to what my colleague, Mr. Dexter, has just told you, about why this Settlement Agreement was entered into, what law supports the Settlement Agreement, and what its implications are for the rest of this case.

There are some big issues that will play out over the next ten or eleven months. We'll be actively involved in that.

And, in the meantime, the Temporary Rate Settlement is consistent with the applicable statute, and is therefore worthy of your approval as resulting in just and reasonable rates.

CHAIRMAN GOLDNER: Thank you. And, finally, the Company.

MS. CHIAVARA: Thank you.

And I also agree with most, if not all, of what Attorney Dexter said. I'm going to repeat it in my own way anyway. So, I ask that you bear with me on that, because some of it will be repetitive. And I'll try to keep that to a minimum.

But I do want to thank the Commission again for getting this hearing in under the wire, to try to accommodate our temporary rate request to be effective August 1st.

The Settlement that we've put in front of the Commission for approval accomplishes just what RSA 378:27 intends to do, which is that it produces most importantly reasonable rates, temporary rates, that also provide immediate relief to the Company, which yield not less than a reasonable return on the cost of property to the utility used and useful, in the public service, less accrued depreciation, and reflected in the reports of the utility on file with the agencies.

This Settlement also addresses a notable revenue shortfall for PSNH, that will become untenable for the Company if it's not ameliorated in the near term.

The parties have presented to the Commission a Settlement Agreement that's pared down substantially from the Company's original temporary rate request that we filed on June 11th. Which leaves in the Settlement recovery only for the revenue deficiency that's absolutely necessary for the Company to have the opportunity to earn a reasonable rate of return on property used and useful, which is also reflective of costs already on file with the agencies. Without approval of all terms in the Settlement, the Company's return would fall short of what's legally provided for in RSA 378:27.

As the Eversource witnesses addresses very thoroughly on the stand today, the core of the rates is compromised of the per book revenue deficiency from the test year, which Attorney Dexter also described. It does not give the Company anything controversial or that has been contested for inclusion in temporary rates.

The per book revenue would merely allow for the possibility of the Company to earn the return that it was authorized to earn four years ago. It's not a guarantee that currently authorized ROE will be realized. It simply course-corrects enough to bring it into the realm of possibility. And, in those circumstances -- in these circumstances, course-correction is warranted.

The two material adjustments to the two per book deficiencies, the CCI pole acquisition normalizing adjustment, and the recovery of storm costs, as previously discussed, are consistent with the logic and purpose of including the test year per book deficiency, which is to put the Company on a path for recovery of prudently incurred costs, and provide an opportunity to earn a reasonable rate of return on those past investments, that is somewhere in the ballpark of what the Company was authorized to earn back in 2020 with the resolution of the last rate case.

The former is also a type of course-correction, to make the test year more representative of actual revenue needs in an average operating year. And the latter simply provides a pathway to begin recovery of already approved storm costs, using a portion of storm revenue already included in rates, and even lowering the level of storm costs included in rates in the process, which offsets, to a degree, the increase that would be seen with the approval of temporary rates.

The remainder of the Settlement terms are likewise uncontentious. They strike a squarely fair balance between the interest of the utility and of utility customers, taking into account that any increase is a sensitive matter. But we have hedged against a precipitous jump in rates, by paring this down to just the three items mentioned above, and restoring a measure financial stability to the Company.

The increase to the customer charge for residential customers was reduced by half. The capital structure that is -- which was previously approved, and then all but two normalizing adjustments to the per book deficiency have been removed, as Mr. Dexter mentioned, all regulatory assets and liabilities, as well as prepayments.

And, then, the final Settlement term, which is to have rates effective August 1st, is a critical element to strike the balance that I've been describing up until now. Pushing the effective date of temporary rates later in the year will erode the safeguard of a reasonable return that is promised by RSA 378:27.

But we are not insensitive to the fact that it is July 25th, two of the remaining six days are weekend days. And it presents the Commission with a very narrow period of deliberation, and little time to draft an order. And that is particularly so when I also respectfully ask that, should the Commission issue an order approving the Settlement and authorizes rates effective August 1st, that it issues an order by July 30th, next Tuesday, so the Company has enough time to handle the logistics necessary to begin billing the rates by August 1st.

It is my hope that the simple and unremarkable structure of the Settlement Agreement, combined with the unanimous agreement here of the parties to its contents, make the

Commission's task, under RSA 378:5, a bit easier, by laying out a straightforward path to approving the temporary rate relief requested in the Settlement, as approval of the Settlement will result in just and reasonable rates, consistent RSA 378:7 and 378:27.

And I would like to provide one final comment, about the reconciliation that's allowed by RSA 378:29. That, once permanent rates are set, reconciliation can go back to the day when the temporary rates take effect. So, if it bears out in the permanent phase of the rate case that temporary rates -- that temporary rates turned out to be too low or too high, either the under- or over-collection will be reconciled.

So, as far as the public comments that were made at the beginning of this morning, if it turns out that these temporary rates are too high, customers will be made whole from any over-collection. And those over-collections will be credited back to customers with the implementation of permanent rates. So, hopefully, that is a measure of comfort on the equitability of temporary rates.

And that's all I have. Thank you.

CHAIRMAN GOLDNER: Okay. Thank you.

So, the Commission will take the matter under advisement. I will say that you might want to order pizza for the 31st at Eversource, because I can't guarantee you that we'll get an order out by the 30th. We will endeavor to get it out by the 31st. And, of course, we can issue it earlier, we will. But, please, please order pizza and get the folks ready for an order by that date.

And I'll just check to see if there's anything else we need to cover today?

[Atty. Chiavara indicating in the negative.]

CHAIRMAN GOLDNER: Okay. Seeing none, the hearing is adjourned.

(Whereupon the hearing was adjourned at 11:53 a.m.)