

Public Service Company of New Hampshire  
d/b/a Eversource Energy  
Docket No. DE 19-057  
Testimony of Erica L. Menard  
May 28, 2019

**STATE OF NEW HAMPSHIRE**  
**BEFORE THE**  
**NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**DOCKET NO. DE 19-057**  
**REQUEST FOR PERMANENT RATES**

**DIRECT TESTIMONY OF**  
**ERICA L. MENARD**  
*Plant Additions*

**On behalf of Public Service Company of New Hampshire**  
**d/b/a Eversource Energy**

**May 28, 2019**

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**ERICA L. MENARD**

**PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE**  
**d/b/a EVERSOURCE ENERGY**  
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1 **I. INTRODUCTION**

2 **Q. Please state your full name, position and business address.**

3 A. My name is Erica L. Menard. I am employed by Eversource Energy Service Company as  
4 Manager of New Hampshire Revenue Requirements. My business address is 780 North  
5 Commercial Street, Manchester, New Hampshire.

6 **Q. What are your principal responsibilities in this position?**

7 A. In my current role as Manager of New Hampshire Revenue Requirements, I am responsible  
8 for the coordination and implementation of revenue requirements calculations for Public  
9 Service Company of New Hampshire d/b/a Eversource Energy (“PSNH” or the  
10 “Company”) in New Hampshire as well as the filings associated with the Company’s  
11 Energy Service (“ES”) rate, Stranded Cost Recovery Charge (“SCRC”), Transmission Cost  
12 Adjustment Mechanism (“TCAM”), and Distribution Rates. My previous role up until  
13 April 2019 was Manager, Budgets & Investment Planning, where I oversaw the operations  
14 and maintenance plan budgets, actual expenditures, and any variance analysis and reporting

1 for the Company in New Hampshire. It is under that role that I am submitting this  
2 testimony on capital additions. My responsibilities focused mainly on New Hampshire  
3 operations, including substations, field operations, and system operations. I also oversaw  
4 some of the O&M budgets for the engineering groups across the Eversource Energy  
5 organization. On the capital side, I oversaw the financial reporting and analysis on the  
6 capital plan for operations as well.

7 **Q. Please summarize your professional experience and educational background.**

8 A. I was hired by Public Service Company of New Hampshire (now Eversource) in 2003 and  
9 have held various positions in the Company with increasing levels of responsibility. I was  
10 appointed to my current position of Manager of New Hampshire Revenue Requirements  
11 in April 2019. Prior to my current role, I held the position of Manager, Budgets &  
12 Investment Planning from September 2012 to April 2019. In that role I oversaw the capital  
13 and operations and maintenance plan budgets, actuals, and financial reporting for New  
14 Hampshire operations. From September 2003 to September 2012, I held the positions of  
15 Analyst and Senior Analyst in Economic Development and Load Forecasting and  
16 Supervisor of Performance Analysis and Business Planning where I was responsible for  
17 sales forecasting, economic analysis, performance management, and business planning  
18 activities. Prior to joining the Company, from June 1997 to September 2003, I held various  
19 positions at ICF Consulting in Fairfax, Virginia ranging from analyst, product consultant,  
20 and project manager with responsibilities for implementing load profiling and load  
21 settlement software at various utilities around the world.

1 I have a Bachelor of Arts degree in Economics and Business Administration from the  
2 University of Maine as well as a Master of Business Administration degree from the  
3 University of New Hampshire.

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

6 A. No, I have not previously testified before the New Hampshire Public Utilities Commission  
7 (the “Commission”).

8 **Q. What is the purpose of your testimony?**

9 A. The purpose of my testimony is to present project documentation and support for the  
10 Company’s historical capital additions from the time of the last step increase in 2013  
11 through December 31, 2018 and proposed for inclusion in rate base. My testimony also  
12 describes the process the Company uses in developing the capital budget, approving project  
13 funding levels and monitoring project costs throughout their life cycle. My testimony  
14 demonstrates that the costs incurred by the Company to build and improve system  
15 infrastructure and establish business systems and facilities were prudently incurred and that  
16 the capital additions, business systems and facilities are used and useful in providing  
17 service to customers.

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

19 A. Yes, I am presenting the following 6 attachments in support of this testimony:

<b>Attachment Designation</b>	<b>Purpose/Description</b>
Attachment ELM-1	Summary of PSNH Capital Additions – 2013 – 2018
Attachment ELM-2	Plant-in-Service Summary by Year – 2013 – 2018
Attachment ELM-3	Chronological List of Projects/Programs/Annuals for specific, programs and annuals, including analysis of variances from most recent authorization to final project cost
Attachment ELM-4	Pre-2015 Capital Project Authorizations Policies
Attachment ELM-5	Post-2015 Capital Project Authorizations Policy
Attachment ELM-6	Delegation of Authority Policy

1

2 **Q. How is your testimony organized?**

3 A. In addition to this introductory section, my testimony is organized into the following  
4 sections:

- 5 • Section II discusses the Company’s capital planning and approval process and  
6 describes how the construction budget is developed;
- 7 • Section III discusses the historical capital additions completed (and included in rate  
8 base) since 2013 and includes a description of the major projects in each of the main  
9 categories. Section III also describes the supporting exhibits and documentation for  
10 these investments; and
- 11 • Section IV provides the conclusion.

12 **Q. How is the information presented in your attachments?**

13 A. The last step increase for PSNH reflected a portion of net plant additions through March  
14 31, 2013 (Order No. 25,534 (June 27, 2013)). Therefore, the attachments provide  
15 documentation and support for the plant additions that have occurred since that last step  
16 increase through the end of the test year, December 31, 2018. Because of the calendar year  
17 nature of the Company’s FERC Form No. 1 filing, the attachments to my testimony present

1 plant addition information on a calendar year basis in order to tie to the numbers in the  
2 FERC Form No. 1.

3 **II. CAPITAL PLANNING AND APPROVAL PROCESS**

4 **A. Authorization Procedures**

5 **Q. What is the Company's policy for project authorization and cost-control process?**

6 A. The Company evaluates all capital projects in accordance with a Project Authorization  
7 Policy ("PAP"). Attachment ELM-4 contains the PAP in effect prior to 2015 and  
8 Attachment ELM-5 contains the current version of the PAP. The purpose of the PAP is to  
9 provide a framework to guide decision-making, evaluation and approval of all capital and  
10 reimbursable project spending. Within this framework, the Company is able to identify  
11 key corporate spending initiatives; enable the evaluation of all major projects; and  
12 prioritize the utilization of corporate financial resources.

13 Capital projects subject to the PAP include, but are not limited to, electric operations, real  
14 estate/facilities, customer care and information technology. The Company modified the  
15 PAP in 2015 to adopt the common process for project authorization and funding across the  
16 Eversource Energy organization. Prior to 2015, the Company's project authorization  
17 process was conducted through reviews by the Capital Budget Review Committee  
18 ("CBRC") in accordance with the Operating Company Review Committee policy, as  
19 described below in this testimony. CBRC reviews were conducted frequently to facilitate  
20 the progress of the capital program.

1 Beginning in 2015, the Company primarily follows APS-1, a copy of which is provided in  
2 Attachment ELM-5, and utilizes the PowerPlan® system as the repository for project  
3 authorizations. Authorizations are approved in accordance with the Delegation of  
4 Authority (“DOA”), a copy of which is provided in Attachment ELM-6. This process is  
5 based on Eversource Energy’s enterprise-wide project-authorization process, which is  
6 centralized and standardized across the organization. As an additional measure, the  
7 Company still conducts capital project reviews through a committee to monitor spending  
8 against the overall capital budget.

9 **Q. What are the steps in the Company’s project authorization process?**

10 A. The Company’s project authorization process starts with a mid-year meeting of the  
11 business planning group (the “Planning Group”). The Planning Group meets to review  
12 potential capital spending over the upcoming five-year period and develop a strategic plan  
13 (the “Strategic Plan”) for presentation to senior management for approval. Each operating  
14 area presents its capital spending and resource requirements to the Planning Group for its  
15 consideration. The specific capital spending requests made by the operating areas are input  
16 into the five-year planning models and the results are compared to financial and  
17 performance targets. In addition, spending requests for annual projects and programs are  
18 funded using historical spending levels. Together, the specific projects and the annual  
19 projects and programs make up the body of work that the Company expects to execute over  
20 the five-year period. The Planning Group uses this analysis to develop capital spending  
21 levels that balance the Company’s financial and performance targets. The Strategic Plan

1 is then presented to senior management for approval. Once approved, the Strategic Plan is  
2 used as the foundation for the annual planning process.

3 During the annual planning process, projects are reviewed and modified as needed and  
4 become the basis for the annual budget. Throughout the year, projects are presented at the  
5 appropriate Project Approval Committee (“PAC”) meeting for discussion and approval by  
6 a quorum of committee members who review the technical merits of each specific project.  
7 Once authorized by the PAC, the project is routed for financial approval in the financial  
8 system (PowerPlan) according to the Delegation of Authority.

9 **Q. How are budgets developed for capital projects?**

10 A. Budgets for annual projects are typically based on historical spending levels. Specific  
11 projects are identified by engineering and operations groups within the Company and are  
12 individually reviewed by a group of Managers and Directors in New Hampshire. This  
13 group evaluates the merits and need for each proposed project and develops a priority  
14 ranking. Projects with the most significant benefits or that address the most significant  
15 needs are included in the capital budget.

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

17 A. From an overall perspective, the Company’s objective is to arrive at a capital budget that  
18 represents the optimal balance of executing investments necessary to maintain and improve  
19 the performance of the system, while assuring a cost-efficient use of the Company’s limited  
20 resources. At the same time, PSNH must maintain a level of flexibility in the budget  
21 process to deal with contingencies that inevitably occur during the year. On an annual

1 basis, the Company develops the capital plan by each operating area in collaboration with  
2 the engineering and operations departments to identify specific needs in each area. A  
3 variety of factors are considered during the prioritization process, including but not limited  
4 to: aging infrastructure needs; system conditions; reliability improvements and initiatives;  
5 new customer growth; and resource availability. The portfolio of projects is ultimately  
6 evaluated by the Company's senior executives through an extensive budget-review process  
7 conducted near the end of each year. Annual projects, service to new customers, and load  
8 driven projects are considered necessary and included in the budget. Projects to improve  
9 reliability are evaluated based on anticipated impact on performance. Aging asset projects  
10 are prioritized based on a number of factors, including safety concerns, age of the asset,  
11 difficulty in maintaining the asset or in obtaining spare parts, and other similar  
12 considerations.

13 **B. Project Authorization Process**

14 ***1. Pre-2015 Project Authorization Process***

15 **Q. Please describe the approval requirements for the Company's capital project**  
16 **authorizations prior to 2015.**

17 **A.** As indicated above, the Company's project funding and approval process prior to 2015 was  
18 handled through meetings of the CBRC. The membership of the CBRC included the  
19 directors of the engineering and operations functions, the managers of each operating area,  
20 and the managers of Engineering, Substations, System Planning, Operations, IT, Business  
21 Services and Facilities/Stores/Transportation. The Company's Vice President of  
22 Operations also attended the sessions and served as the chairman of the CBRC.

1 Projects were typically proposed by members of the engineering staff and approved after  
2 discussion, if the CBRC concluded that the project supported the achievement of service  
3 and operations objectives. Project progress was then discussed at subsequent sessions  
4 where the CBRC would approve scope and/or funding changes as appropriate.

5 **Q. How did the CBRC process ensure that projects met the Company's performance**  
6 **objectives and provided the intended benefit to customers?**

7 A. The CBRC membership included representation from all position levels of PSNH up to the  
8 director level. This cross section of the Company's leadership ensured that projects were  
9 fully assessed during committee discussions. The needs of the individual operating areas  
10 were advocated for by the respective area managers along with the engineering team  
11 member from the area. Substation project needs were supported by the Manager of System  
12 Planning along with Engineering. In addition to having intimate knowledge of the assigned  
13 operating area, the operating area managers typically had prior responsibilities in one or  
14 more of the other operating areas so that the individuals had a solid understanding of overall  
15 system needs.

16 For projects related to reliability improvements, the Director and Manager of Engineering  
17 and System Planning ensured that all projects were considered based on each project's  
18 relative value across the organization so that the most pressing system needs were  
19 addressed. The Manager of Business Services (now called Investment Planning) ensured  
20 that the budget implications of any changes to the capital budget were considered during  
21 the discussions.

1 Q. **At what point did projects receive formal approval in the capital budget?**

2 A. At the end of each year, Engineering would propose a budget that included known projects  
3 with proposed funding levels over the next five years, after reviewing system needs  
4 coupled with consultation with Operations. Placeholder values based on historical  
5 spending were included for work that was known to be coming but could not be specifically  
6 defined, such as a highway relocation project. Multi-year projects with prior spending  
7 were assessed to determine current completion status and the required funding going  
8 forward. The budget was then reviewed and approved at the CBRC and subsequently  
9 presented at higher level budget meetings resulting in its eventual approval at the board  
10 level. Once approved, the budget was then used by the CBRC during the course of the  
11 year to monitor capital spending versus the financial targets established in the capital  
12 operating plan.

13 Q. **How was the approved budget adjusted to account for changes in system needs during**  
14 **the course of the year?**

15 A. If changes in system needs arose during the year, the CBRC was charged with assessing  
16 the change and making necessary adjustments to the plan so that the fixed amount of capital  
17 funding maximized the achievement of the performance objectives.

18 Q. **How were project proposals, project variances and changes in system need**  
19 **communicated to the CBRC?**

20 A. Project proposals, project variances and changes in system need were typically  
21 communicated to the CBRC by members of the Engineering staff. In addition, individuals  
22 closely involved with ongoing projects would also attend CBRC sessions as needed to

1 provide a greater level of detail for changes in scope and funding levels. Projects, project  
2 variances and changes in system need were presented to and analyzed by the CBRC.

3 **Q. Were there additional measures to address project funding and scope changes outside**  
4 **of the CBRC?**

5 **A.** Yes. In limited instances, discussions outside of the CBRC process were held to address  
6 spending levels for emergent issues, which were then followed up with a CBRC sheet  
7 revision at the next CBRC meeting.

8 ***2. Post-2015 Project Authorization Process***

9 **Q. Please describe the approval requirements for the Company's capital project**  
10 **authorizations post-2015.**

11 **A.** Commencing in 2015, projects proposed for inclusion in the capital budget by an operating  
12 area require a request for project authorization to be submitted for approval to the senior  
13 manager of the relevant operating area in accordance with the PAP. The project sponsor,  
14 typically a project originator or a project manager, is responsible for preparing the  
15 necessary documentation for approval. As part of the annual budget process, each  
16 operating area submits a budget encompassing the requests for project authorization  
17 (although project authorizations may be granted throughout the year as circumstances  
18 warrant). In addition, a budget for annual projects and annual programs is developed based  
19 on historical costs associated with work on the distribution system. The proposed operating  
20 area budget must conform to the overall budget amount set by the senior executives. In  
21 addition, all capital projects are reviewed and approved by the Plant Accounting  
22 department to ensure proper capital and expense classification, project justification and

1 unit of property accounting.

2 Projects are authorized by the Company's management in accordance with the Delegation  
3 of Authority on the basis of a Project Authorization Form ("PAF"). A PAF is required  
4 where a specific project estimate is expected to exceed the threshold outlined in the PAP.

5 A PAF includes the following sections:

- 6 • Project Description and Objectives: This section provides a high-level overview of  
7 the project and why it should be undertaken.
- 8 • Scope and Justification: This section provides a detailed summary of the project  
9 scope, resource requirements and customer and Company impact.
- 10 • Financial Evaluation: This section provides an economic analysis of the proposed  
11 project. The nature of the economic analysis differs depending on the nature of the  
12 project. For example, projects may be evaluated on the basis of a cost-benefit  
13 analysis, an alternatives analysis, a cost analysis or another approach appropriate  
14 for the type of project under consideration.
- 15 • Risk Assessment: This section provides an identification of any special  
16 management, technical or operational issues and risks involved in the project.
- 17 • Alternatives Considered: This section evaluates alternatives where the project is a  
18 non-revenue project and feasible alternatives exist.
- 19 • Technology Assessment (Information System Projects only): This section  
20 discusses the technology to be employed in the project, internal and external  
21 resource requirements and an architectural review of system specifications.
- 22 • Project Schedule, Milestones and Implementation Plan: This section describes any  
23 timing implications and start-up schedules.

24 Because operating area budgets are prepared in advance for the next year, PAFs are  
25 generally prepared and authorized on the basis of conceptual estimates. As described  
26 below in Section III of my testimony, the attachments accompanying my testimony listing  
27 PSNH capital additions include descriptions of projects where the initial authorization

1 differed from the pre-construction/post-design cost estimates.

2 **Q. At what point do projects receive formal approval in the construction budget?**

3 A. Prior to the start of the calendar year, the level of funding for the capital construction budget  
4 is finalized and projects that have been proposed and approved by the Engineering,  
5 Operations, and Shared Services groups are added to the budget. Once projects are ready  
6 for construction with refined project cost estimates, projects are presented to the PAC. The  
7 PAC meets at least monthly to review projects from an engineering, schedule and cost  
8 perspective as well as reviewing any projects that require supplemental funding. The PAC  
9 consists of a chairperson plus representatives from various disciplines across the Company,  
10 including Engineering, Operations, Major Projects, Investment Planning and Integrated  
11 Planning & Scheduling. Once the PAC has approved a project for initial or supplemental  
12 finding, the project is then approved within the Power Plan system based on Delegation of  
13 Authority approval limits, as shown in Attachment ELM-6.

14 **C. Cost Control Procedures**

15 **Q. Once the construction budget is finalized, does the Company have measures in place**  
16 **to control costs as the projects are designed and completed?**

17 A. Yes. Monthly meetings are held to discuss the status and cost of individual projects within  
18 the capital budget. The Company's process requires a Supplement Request Form with  
19 revised cost and justification when it becomes likely that the project cost is expected to  
20 increase from the original authorized dollar amount in accordance with certain threshold  
21 criteria. For Distribution Operations projects up to \$250,000 this threshold is an increase  
22 in direct costs of \$25,000 or more. For projects over \$250,000 the threshold is 10 percent.

1 Supplement Request Forms are reviewed by the Project Authorization Committee and, if  
2 approved, routed for approval in Power Plan in the same manner as the original PAF.

3 **Q. Was the authorization threshold for providing documentation modified during any**  
4 **period presented in this case?**

5 A. Yes. During 2014, PSNH temporarily adjusted the authorization threshold for projects  
6 with total costs exceeding \$200,000 due to an accounting system transition occurring in  
7 August 2014.

8 **III. CAPITAL ADDITIONS**

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

11 A. It is my understanding that the Commission's long-standing standard for the inclusion of  
12 capital additions in rate base is that the capital expenditures must be prudently incurred and  
13 the resulting plant must be "used and useful" in providing service to customers. A prudence  
14 review involves a determination of whether the utility's actions, based on all that the utility  
15 knew or should have known at the time, were reasonable and prudent in light of the  
16 circumstances. The Commission considers plant to be "used and useful" if the plant is in  
17 service and provides benefits to customers. As demonstrated below and in the attachments  
18 that accompany my testimony, the Company's historical capital additions to be included in  
19 rate base as of the last step increase on March 31, 2013 through December 31, 2018 are  
20 consistent with the Commission's standard.

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

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

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

14 A. As an initial matter, the Company has segregated all capital additions into three distinct  
15 categories: (1) distribution plant; (2) general plant; and (3) intangible plant. Distribution  
16 plant covers distribution system assets, including but not limited to substations, poles,  
17 wires, and transformers. General plant is typically associated with Company facilities such  
18 as area work centers, land, vehicles and equipment. Intangible plant is typically associated  
19 with IT investments.

20 Each category of capital additions is further segmented into sub-categories that have  
21 distinct capital addition documentation requirements. These sub-categories consist of  
22 annual projects and programs, and specific projects. Annual projects are defined as

1 projects that are high-volume and low-dollar in nature. Work orders for annual projects  
2 are typically under \$100,000 in direct costs. Examples of annual projects are new services,  
3 capital tools, obsolescence and asset renewal, line relocations, and service work. These  
4 projects are funded at a consistent level from year to year and utilize the same project  
5 names each year.

6 Annual programs support a particular body of work and are typically lower in volume but  
7 higher in cost. Examples of annual programs are reject pole replacements, oil-circuit  
8 breaker replacements, direct-buried cable replacements, vehicle purchases, and tools and  
9 equipment projects. These projects are typically funded at a consistent level from year to  
10 year but can vary depending on the nature of the work to be completed in the year. These  
11 projects also utilize the same project names each year.

12 Specific projects are projects where a stand-alone project is being constructed. Examples  
13 of these projects include new substation, new lines, and circuit conversions. Specific  
14 projects have a defined start and end date for construction with a defined project cost and  
15 may be managed by a project manager and have unique project names for the specific body  
16 of work to be executed.

17 **Q. Have you provided documentation in support of the Company's capital additions in**  
18 **in Attachments ELM-1 through ELM-3?**

19 A. Yes. Attachment ELM-1 through Attachment ELM-3 identify the capital additions  
20 completed and included in rate base for the Company from the time of the last step increase  
21 in 2013 through December 31, 2018. The attachments provide information on a calendar

1 year basis. The attachments are more specifically described as follows:

- 2 • Attachment ELM-1 is a Summary of PSNH Capital Additions for the period  
3 January 1, 2013 through December 31, 2018. This attachment is one page and  
4 shows total capital additions by year and is fully reconciled to the FERC Form No.  
5 1.
  
- 6 • Attachment ELM-2 is a Plant-in-Service Summary by Year for the period January  
7 1, 2013 through December 31, 2018. This attachment includes six sub-parts, one  
8 for each year 2013 – 2018. This attachment shows plant in service by project,  
9 functional class and utility account over this period. For each year, the attachment  
10 includes a one-page summary sheet of total electric plant in service, and identifies  
11 plant-in-service amounts divided into three types of projects: Specific Projects Over  
12 the Threshold, Annual Projects Over the Threshold, Programs Over the Threshold  
13 and Projects Under the Threshold. For each of the three project types, the summary  
14 sheets provide a breakdown by category (distribution plant, general plant and  
15 intangible plant). The project detail in support of the data included in the summary  
16 sheets is provided in Attachment ELM-3, which is described below. The total  
17 electric plant in service shown on the summary sheet for each year also includes  
18 Production and Transmission, but those additions are not part of this filing. Those  
19 segments were included to be able to tie out to the FERC Form No.1 report.
  
- 20 • Attachment ELM-3 is a Chronological List of Projects for specific projects, annual  
21 projects and programs, including analysis of variances from most recent

1 authorization to final project cost. The costs included are project life to date costs  
2 for specific projects, and annual project costs for annual projects and programs.  
3 The sum of these projects do not tie to FERC Form No.1 pages, but are included to  
4 demonstrate the comparison of estimated to actual project costs.

5 **Q Please describe in more detail the information included in Attachment ELM-3.**

6 A. As noted above, for the years 2013 – 2018, Attachment ELM-3 identifies all specific  
7 projects and annual projects with total charges in excess of the threshold in place at the  
8 time the project was placed in service. For years 2014 and 2014, the comparison of actual  
9 to authorized amount is based on total costs. For years 2015 through 2018, the comparison  
10 of actual to authorized amount is based on direct costs. These cost comparisons are in  
11 accordance with the applicable PAP in place at the time the project was placed in service.  
12 Attachment ELM-3 includes summary detail, including, as appropriate, variance analyses  
13 of each capital addition to the revised authorized amount for each addition. Within each  
14 category, projects are listed by year, plant type, project number and project  
15 description. The summary detail in Attachment ELM-3 includes the following cost  
16 information for specific projects with total charges over the threshold:

- 17 • Pre-Construction Estimated Total Costs (Authorized);
- 18 • Revised Estimated Total Costs (Authorized);
- 19 • Actual Total Costs;
- 20 • Total Cost Variance Amount (difference between revised authorization and actual  
21 cost);

- Percent of Actual Total Costs compared to Revised; and
- Total (Direct and Indirect) Cost of Project.

**Q. Please summarize the capital additions the Company has made to its distribution system since the last step increase.**

A. Table 1 below provides Plant Additions by Category for the years 2013 – 2018:

**Table 1**

<b>Plant Additions by Category by Year (\$ millions)</b>							
<b>Category</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>Total</b>
Basic Business	32.1	42.9	61.6	47.4	54.0	51.3	289.4
New Customer	8.9	6.3	5.4	6.1	8.6	9.6	45.0
Peak Load/Capacity	12.8	11.2	19.7	15.9	3.1	3.1	65.7
Regulatory Commitments	0.0	0.1	0.5	1.0	0.0	0.1	1.7
Reliability Enhancement Program	25.9	17.6	3.7	57.6	38.8	4.3	147.8
Reliability	20.6	27.1	35.8	40.2	42.6	84.7	250.9
<b>Total</b>	<b>100.3</b>	<b>105.3</b>	<b>126.6</b>	<b>168.1</b>	<b>147.2</b>	<b>152.9</b>	<b>800.4</b>

As noted earlier in my testimony, the 2013 amount includes plant additions from January 1, 2013 through March 31, 2013, a portion of which were included in the 2013 step increase. In addition, about \$148 million of plant additions associated with the REP are included in Table 1 between January 1, 2013 and December 31, 2018, but are currently being recovered in base distribution rates through annual reconciliation mechanisms.

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

A. Yes, all of the investments over this period are used and useful in the provision of service to PSNH customers. However, only 80 percent of non-REP plant in service as of March 31, 2013 is being recovered in rate base according to the last step increase. None of the plant additions after March 31, 2013 (excluding REP plant in service), are included in rate

1 base and the Company is seeking to recover those costs through this rate case.

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

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

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

6 A. The investments in this category primarily includes emergent equipment failures,  
7 corrective replacements, pre-capitalized transformers, lighting and reimbursable work such  
8 as: Third Party/Joint Owner Work (work required of utility pole owners to accommodate  
9 attachments by either joint owners or third parties such as pole replacements); Basic  
10 Business – Other (purchase of office furniture); Insurance Claim/Keep Cost (customer  
11 equipment damage claims due to events on the Company's distribution system); Line  
12 Relocations/Act of Public Authority (cost of relocation of existing distribution facilities  
13 required by State highway, Municipal, redevelopment, private entities or Company needs);  
14 Pre-Capitalized Line Transformers (purchase, initial installation and retirement of  
15 overhead, underground and pad-mounted distribution transformers and voltage regulators);  
16 Lighting (work required by State, Municipal and private area outdoor lighting customers);  
17 Emergent Equipment Failures – Line (repairs, removal, and replacement of existing  
18 facilities requiring capital work); Emergent Equipment Failures – Substation (repairs,  
19 removal, and replacement of existing facilities requiring capital work in substations);  
20 Environmental (capital work to replace transformers containing PCBs); and Capital Tool  
21 Purchases (purchases of tools individually valued at over \$500).

1 **Q. Please describe the Company's plant additions in the New Customer category.**

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

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

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

10 **Q. Please describe the Company's plant additions in the Regulatory Commitments**  
11 **category.**

12 A. This category includes plant additions in the REP, which has included vegetation  
13 management, pole replacement, oil circuit breaker replacement, distribution automation,  
14 relay upgrades, line sensors, plus many other projects focused on improving reliability and  
15 specifically tracked and reported annually by the Company. In addition, this category  
16 includes funding for repairs to distribution facilities to meet the current requirements of the  
17 National Electrical Safety Code.

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

19 A. The plant additions in the Reliability category include conversion of old 4-kV substations  
20 and lines to 12-kV or 34-kV, distribution automation (pole-top and substation automation,  
21 installation of line sensors, and additional private radio base station locations), distribution

1 line reliability (construction of circuit ties for existing radial lines, reject pole replacement,  
2 street-side reconductoring/hardening), and annual projects for reliability costing less than  
3 \$100,000.

4 **IV. CONCLUSION**

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

6 A. The Company's capital investments from the time of the 2013 step increase through the  
7 end of the test year 2018 are documented and supported in my testimony, and the  
8 investments over this period are used and useful in the provision of service to PSNH  
9 customers. For these reasons, the plant additions should be allowed for inclusion in rate  
10 base.

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

12 A. Yes, it does.