

PUBLIC UTILITIES COMMISSION

DE 19-057

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

Notice of Intent to File Rate Schedules

Order Following Hearing on 2019 Step Adjustment

ORDER NO. 26,439

December 23, 2020

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; Preti-Flaherty, by John B. Coffman, Esq., on behalf of AARP New Hampshire; and Brian D. Buckley, Esq., on behalf of Commission Staff.

In this order, the Commission authorizes Eversource to recover the annual revenue requirement of \$10.611 million associated with \$124.9 million of plant additions placed in service in calendar year 2019. Recovery will be made through distribution rates on a service-rendered basis beginning January 1, 2021. For a residential customer using 600 kWh per month, the result is a monthly bill increase of \$1.97, or 1.74 percent.¹ Eversource recovers distribution rates from all delivery service customers.

I. PROCEDURAL HISTORY

Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) filed a Notice of Intent to File Rate Schedules on March 22, 2019, and on April 26, 2019, filed notice of its intent to file schedules for permanent rates.

On May 8, 2019, the Commission issued Order No. 26,250, which suspended Eversource's proposed temporary rate tariff pending further investigation and scheduled a Prehearing Conference, technical session, and a temporary rate hearing. Several parties

¹ When combined with the permanent rate established in Commission Order No. 26,443 (December 16, 2020), the result is a \$3.79 monthly increase for residential customers using 600 kWh per month.

intervened in the proceeding. Over the ensuing year and a half, Eversource and numerous parties engaged in discovery, technical sessions, and other discussions culminating in the Settlement Agreement approved by the Commission in Order No. 26,443 (December 16, 2020). The Settlement Agreement established permanent rates based on a 2018 test year. Among its provisions, the Settlement Agreement contains a provision for three annual step increases to account for plant placed in service in calendar years 2019, 2020, and 2021, effective on August 1 of each year, with the exception of the 2019 step. Because the pandemic resulted in a six-month extension of this proceeding, the Settlement Agreement provides that Eversource shall recover the annual revenue associated with the 2019 step increase over the seven-month period beginning January 1, 2021, to align with Eversource's original proposal to have step increases effective on August 1 of each year. In Order No. 26,443, the Commission ordered Eversource to remove rate case expenses from the calculation of rates. *See* Order No. 26,443 at 20-21.

On October 9, 2020, Eversource filed a petition requesting recovery of \$10.651 million in revenue requirement associated with \$125.2 million of plant additions placed in service in calendar year 2019, the first step increase established by the Settlement Agreement. Eversource filed supporting pre-filed testimony and related attachments associated with this capital investment. The Commission issued a supplemental order of notice on November 12, 2020, scheduling a merits hearing on December 1, 2020, which was held as scheduled.

The initial filing, testimony, exhibits and other docket filings, other than any information for which confidential treatment has been requested of or granted by the Commission, are posted at <https://www.puc.nh.gov/Regulatory/Docketbk/2019/19-057.html>.

II. POSITIONS OF THE PARTIES AND STAFF

A. Eversource

Eversource testified in support of the step increase, explaining the development of projects completed in 2019, from the initiation of a project to placement of plant into service. Eversource referenced Attachment LGL/DLP-1 to Ex. 59 in support of the request, and explained that the attachment is the Company's first attempt to address concerns expressed by Staff regarding the Company's project management and planning practices. Eversource said it expects this process will be modified based on the outcome of the business process audit agreed to in the Settlement Agreement. Hearing Transcript of December 1, 2020, (Tr. 12/1/20) at 13-15. Eversource also testified that the Company intended to work with Staff to develop templates to present all project documentation in a consistent manner. Tr. 12/1/20 at 16. The Company said it expects that the business process audit and the templates will make it easier for the Commission to review Company investments. Tr. 12/1/20 at 17.

Eversource discussed several projects and project accounts at hearing. First, the Company witnesses testified regarding the West Rye Substation Project. Eversource represented the Company initiated the project in 2016 and explained how the Project evolved, based on revisions that resulted from engineering changes to the scope of the project. Eversource stated that, because it estimated that the costs of the project would increase, the Company supplemented its initial funding request. In late 2017, Eversource issued a request for proposals for certain project services, and selected a vendor. Based on that selection, the cost of the project increased again, and Eversource filed a second supplemental funding request. Eversource filed another two supplemental funding requests, the last of which Eversource processed in 2019. As a result, the 2019 Step includes the amount of that fourth supplemental funding request, despite the fact that the plant was used, useful, and in service in 2018. Tr. 12/1/20 at 18-29. Eversource

explained that after plant is placed in service, the Company continues to receive additional invoices related to the project over a period of time, up to five years, during which time those costs are added to capital investment, which explains why additional costs for the West Rye Project appear to be placed into service in 2019. Tr. 12/1/20 at 57-58.

Eversource also discussed a reduction of \$276,837 in capital additions associated with the step adjustment. This downward adjustment was due to costs associated with equipment at the South Milford substation, Peaslee substation, and Laconia substation that Eversource initially identified as transmission costs. Later, those transmission costs were improperly transferred to a distribution account. Hearing Exhibit 61 at 96. Staff issued discovery on those costs.

Eversource stated that, as a result of Staff discovery requests, the Company determined that those assets were actually transmission-related, and that the Company should have omitted those costs from the calculation of the step adjustment. Consequently, the Company agreed to remove the \$276,837 associated with that equipment from its request for recovery. Tr. 12/1/20 at 28-29. That decision resulted in a decrease of approximately \$40,000 in the requested revenue requirement.

Eversource also discussed inclusion of \$1.7 million in its annual project account related to claims for damage by third parties. Eversource testified that when a third party is responsible for damage, the cost of repairing the damage is treated as plant in service. Tr. 12/1/20 at 31. Eversource explained that once the Company knows that the damage was caused by a third party, and the third party is identified as responsible for payment, the Company will bill the individual or insurance company for the damages. Once Eversource generates the bill for damages, Eversource credits the work order within the annual project in the calendar year that the Company actually bills the third party. The Company explained that an agreement had been reached with Staff whereby Eversource would recover \$1.7 million in the step adjustment subject

to Staff audit and reconciliation, and review of the Company's process for collecting third party damage claims. Tr. 12/1/20 at 32-33.

The Company testified regarding its approach to capitalization of certain property tax payments. Tr. 12/1/20 at 71. According to the Company, the rules of the Federal Energy Regulatory Commission allow capitalization of property taxes that accrue while construction work is in progress. In response to Staff questions, the Company said that property tax capitalization applies only to open work orders. The Company did not indicate the degree to which it continues to capitalize property taxes when work orders relating to a portion of the project are held open for months or years after a project is substantially complete. Eversource agreed that those costs would be subject to audit and further reconciliation, as may be appropriate. Tr. 12/1/20 at 72.

Eversource concluded by affirming that all revenue to be recovered through the step adjustment relates to capital plant that is used and useful in utility service to the public, and that the resulting rates are just and reasonable. Tr. 12/1/20 at 108 and 109.

B. AARP of NH

AARP did not take a position on the filing.

C. Staff

Staff testified it conducted an extensive and detailed review of the accuracy of the proposed rates as filed, and of the projects for which the Company has requested recovery in this filing. Staff stated that it appreciates the effort the Company puts into planning and managing these projects, but continues to have concerns about project planning, the 24-month project planning horizon, project management, cost control, documentation, and the format in which Eversource presents these projects to the Commission for review. Tr. 12/1/20 at 108-109. Staff

expressed optimism that the results of the business process audit, and the related development of templates for presenting future step increases and capital investment, will remedy these concerns.

With the exception of the \$276,837 in capital additions that Eversource agreed to withdraw from this filing, and subject to the review and reconciliations set forth above, Staff observed that the recovery of costs proposed for inclusion in the step increase are for used and useful facilities, and that the costs were prudently incurred. Staff concluded that the resulting rates are just and reasonable, and recommended that the Commission approve the filing, with the exception of the agreed-to exclusion.

III. COMMISSION ANALYSIS

In order to approve this step increase, the Commission must determine whether the investments included in the calculation of the step increase are prudent, used, and useful under RSA 378:28. As noted in the record, both Staff and the Company view the projects requested for recovery within the step increase to be used and useful, their costs to be prudently incurred, and the requested rates to be just and reasonable. Although Staff described some remaining uncertainties relating to the accounting treatment of certain property taxes and property damage attributable to third parties, those uncertainties may properly be reviewed by the Commission Audit Staff and be subject to subsequent reconciliation. As a result, while we find that Eversource may recover those costs through distribution rates, we direct that such costs be subject to an audit by the Commission's Audit Division and reconciliation, as appropriate. We direct that Staff provide the Commission with a copy of the Final Audit Report, and will require Eversource to reconcile its revenue requirement consistent with any adjustments recommended by Staff and approved by the Commission. Recovery shall exclude any rate case expenses and \$276,837 in capital additions identified by the Company as transmission costs. Otherwise, we

find the expenditures to be prudent, that the resulting rates are just and reasonable, and that recovery of rates is in the public interest.

In addition, we direct Staff to inquire further regarding the Company's treatment of damage to plant from a third party, and the treatment of billing to liable third parties for the repair of damage done to Eversource's facilities. We direct Staff to report on the conclusions they reach following this review, including any further recommendations by Staff regarding the treatment and reporting of how Eversource handles claims for property damage by third parties. Based on Staff's recommendations, as approved by the Commission, the recovery of costs relating to third party property damage may be subject to reconciliation, as appropriate.

At hearing, the Commission noted that Eversource included a "private work" project placed in service in 2019, and for which Eversource requests recovery of the associated revenue requirement. Eversource was unable to explain the nature of that private work. Tr. 12/1/20 at 93-94. We direct Staff to review this issue with the Company and report responsive information to the Commission once it is clear what constitutes private work. In the event that Staff concludes that the costs associated with private work should be removed from the calculation of rates, Staff shall make that recommendation to the Commission for its consideration.

We also direct Eversource to provide Staff with responsive information regarding the accounting treatment of the AMR meters installed in 2019, and we require Staff to report to the Commission on that issue as well. Tr. 12/1/20 at 94. Finally, the Commission asked at hearing about the Company earning a return on the investment in small vehicles. Tr. 12/1/20 at 95. We direct Eversource to provide Staff with responsive information on that issue as well, and will require that Staff share that information with the Commission once Staff is satisfied that the information is complete. While we will not establish a strict timetable for reporting this

information, we would like this information to be provided and these discussions to take place in the next six weeks.

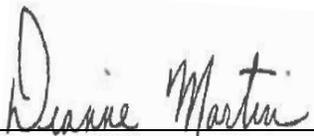
Based upon the foregoing, it is hereby

ORDERED, that the capital costs associated with capital investment for plant that was placed in service in calendar year 2019, as calculated by Eversource in its Step 1 filing of October 9 and its recovery through distribution rates, with the exception of the \$276,837 cost identified above and any rate case expenses, are hereby **APPROVED**; and it is

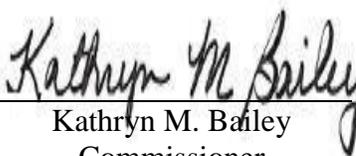
FURTHER ORDERED, that Eversource's request to recover the revenue requirement associated with the approved Step 1 capital investment through rates on a service-rendered basis effective January 1, 2021, and to recover the first year of those annualized costs over a seven-month period ending July 31, 2021, is hereby **APPROVED**; and it is

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

By order of the Public Utilities Commission of New Hampshire this twenty-third day of December, 2020.

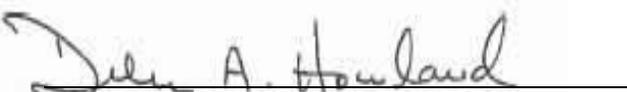


Dianne Martin
Chairwoman



Kathryn M. Bailey
Commissioner

Attested by:



Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 19-057

Printed: 12/23/2020

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