

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

**DOCKET NO. DE 21-020**  
**JOINT PETITION FOR APPROVAL OF SETTLEMENT**  
**AND POLE ASSET PURCHASE AGREEMENT**

**SUPPLEMENTAL DIRECT TESTIMONY OF**  
**DOUGLAS P. HORTON AND ERICA L. MENARD**

*Revenue Requirement for Pole Purchase*

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

**November 15, 2021**

**STATE OF NEW HAMPSHIRE**

**BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION**

**SUPPLEMENTAL DIRECT TESTIMONY OF DOUGLAS P. HORTON AND ERICA L.  
MENARD**

**JOINT PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE  
d/b/a EVERSOURCE ENERGY  
AND CONSOLIDATED COMMUNICATIONS OF NORTHERN NEW ENGLAND  
COMPANY LLC, d/b/a CONSOLIDATED COMMUNICATIONS FOR APPROVAL OF  
SETTLEMENT AND POLE ASSET PURCHASE AGREEMENT**

**November 15, 2021**

**Docket No. DE 21-020**

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1 **I. INTRODUCTION**

2 **Q. Mr. Horton, please state your name and business address.**

3 A. My name is Douglas P. Horton. My business address is 247 Station Drive, Westwood,  
4 Massachusetts 02090.

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

6 A. I am employed by Eversource Energy Service Company as Vice President, Distribution  
7 Rates and Regulatory Requirements.

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

9 A. In my position, I am responsible for the oversight, coordination, and implementation of  
10 revenue requirement calculations and distribution rates for the Eversource Energy  
11 operating companies in New Hampshire, Massachusetts, and Connecticut, including Public

1 Service Company of New Hampshire d/b/a Eversource Energy (“Eversource” or the  
2 “Company”). In addition, I have the overall responsibility for regulatory interfaces for all  
3 revenue requirement-related filings before the New Hampshire Public Utilities  
4 Commission (the “Commission”).

5 **Q. Have you previously testified before the Commission?**

6 A. Yes, I have.

7 **Q. Ms. Menard, please state your full name and business address.**

8 A. My name is Erica L. Menard. My business address is 780 North Commercial Street,  
9 Manchester, New Hampshire.

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

11 A. I am employed by Eversource Energy Service Company as Manager of New Hampshire  
12 Revenue Requirements.

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

14 A. In my role, I am responsible for the coordination and implementation of revenue  
15 requirements calculations for Eversource, as well as the filings associated with the  
16 Company’s Energy Service rate, Stranded Cost Recovery Charge, Transmission Cost  
17 Adjustment Mechanism, Regulatory Reconciliation Adjustment mechanism rate and  
18 Distribution Rates.

19 **Q. Have you previously testified before the Commission?**

1 A. Yes, I have.

2 **Q. Please provide a summary of the events leading up to this supplemental testimony.**

3 A. On February 10, 2021, Eversource and Consolidated Communications of Northern New  
4 England Company, LLC d/b/a Consolidated Communications (f/k/a Northern New  
5 England Telephone Operations LLC) (“Consolidated”), filed a “Settlement and Pole Asset  
6 Purchase Agreement” and petition requesting that the Commission approve a transfer of  
7 interests in utility pole assets from Consolidated to Eversource pursuant to the terms of the  
8 Settlement and Pole Asset Purchase Agreement. In addition, the petition requested that the  
9 Commission approve Eversource’s use of its Regulatory Reconciliation Adjustment  
10 (“RRA”) mechanism to recover costs associated with its purchase of Consolidated’s  
11 interest in utility pole assets. The RRA was established through the settlement agreement  
12 in Docket No. DE 19-057, and approved in Order No. 26,433 (December 23, 2020), for  
13 recovery of certain categories of costs defined in Section 9 of that settlement. Eversource  
14 requested that a new component be added to the RRA to recover the annual net revenue  
15 requirement related to the purchase, inspection and replacement of the transferred poles,  
16 offset by incremental third-party attachment revenue. In addition, the Petition requested  
17 approval to use the existing components of the RRA to recover incremental property tax  
18 and vegetation management expense that would be incurred as a result of the transaction.

19 On August 4, 2021, the Office of the Consumer Advocate (“OCA”) filed a motion to  
20 dismiss the case arguing that the Settlement Agreement in Docket No. DE 19-057  
21 precluded Eversource from recovering these incremental costs. On August 16, 2021,

1 Eversource timely objected to the OCA’s motion and on August 19, the OCA filed a reply  
2 to Eversource’s objection.

3 On October 22, 2021, the Commission issued Order No. 26,534 and, among other things,  
4 ruled on the OCA’s motion. The Order concluded that the “specific request to add a new  
5 component to the RRA for recovery of the net revenue requirement is precluded under the  
6 terms of the DE 19-057 settlement agreement approved by Order No. 26,433 because *the*  
7 *recovery of new capital costs through the RRA* is contrary to both sections 9.1 and 10.6  
8 of the settlement agreement.” Order No. 26,534 at 8 (emphasis added). As a result, the  
9 Commission granted the OCA’s motion to dismiss, in part. *Id.*

10 As it related to the use of the existing RRA categories for recovery of increased property  
11 taxes and vegetation management expenses, the Commission concluded that “because  
12 property tax expenses and vegetation management work are variable expense items already  
13 included in the RRA, and are expenses not capital costs, we do not agree that they are *per*  
14 *se* precluded under the DE 19-057 settlement agreement.” Order No. 26,534 at 9. Further,  
15 the Commission stated that it could not “conclude that no cost recovery mechanism  
16 excluding capital costs exists [] would be acceptable to Eversource.” *Id.*

17 In light of its conclusion that there may be a cost recovery method acceptable to Eversource  
18 that is not precluded by the settlement agreement in Docket No. DE 19-057, the  
19 Commission directed Eversource “to file a proposed cost recovery mechanism that is not

1 precluded by the Settlement Agreement and that is acceptable to it by November 15, 2021.”

2 *Id.* This testimony responds to the Commission’s directive.

3 **Q. How does this supplemental filing address the Commission’s Order No. 26,534?**

4 A. With this supplemental filing, Eversource is seeking approval of a new rate mechanism,  
5 called the Pole Plant Adjustment Mechanism (“PPAM”), to recover incremental costs  
6 resulting from the transfer of assets and maintenance responsibilities as identified in the  
7 Settlement and Pole Asset Purchase Agreement. This request for a new rate mechanism  
8 does not propose to modify the actual components of costs that were identified in the  
9 original petition, only the mechanics by which the Company is seeking to recover the costs  
10 outside of the RRA in conformance with the Commission’s Order.

11 **Q. Why is this new rate mechanism required?**

12 A. The Company’s revenue requirement established in its recently completed base distribution  
13 rate case was based upon the level of existing pole-related obligations at the time of the  
14 rate case and does not contemplate the incremental costs associated with assuming  
15 ownership of the transferred poles. Moreover, the incremental revenues that will accrue to  
16 Eversource after the transaction will not be sufficient to cover the incremental costs.  
17 Therefore, as part of the Company’s request for approval of the transaction, the Company  
18 is requesting approval of a funding mechanism to annually reconcile the net incremental  
19 costs associated with Eversource’s purchase of the transferred poles, so that necessary  
20 maintenance and repair activities can commence immediately following the close of the  
21 transaction which will assure that all of the poles will be safe and adequate for providing

1 service to customers. Since the Commission's Order denied the ability to recover the  
2 incremental net revenue requirement through a new component in the RRA, a new  
3 mechanism is being requested to function similar to the RRA while not violating the  
4 Settlement Agreement in Docket No. DE 19-057.

5 **Q. How long does the Company anticipate this rate to be in effect?**

6 A. The Company anticipates that the PPAM would remain in place until at least the time of  
7 the Company's next rate case, at which time the Company anticipates that such costs  
8 included in the PPAM would be incorporated into Eversource's base rates, assuming at that  
9 point the costs of pole ownership included in the test year is at a representative level for  
10 going-forward ratemaking.

11 **Q. How does Eversource propose to recover the costs associated with its ownership of  
12 the transferred poles?**

13 A. In response to the Commission's Order, the Company is proposing this new rate  
14 mechanism to recover and reconcile the net revenue requirement of the transferred poles  
15 and incremental property tax and vegetation management expense. A copy of the  
16 Company's proposed tariff change that describe the new PPAM is attached to our joint  
17 testimony as Attachment DPH/ELM-1. The Company would submit to the Commission  
18 for review and approval relevant project documentation justifying the actual capital  
19 expenditures completed in the prior calendar year and documentation to support the  
20 calculation of incremental O&M expenses, as well as incremental revenues recovered from

1 third-party pole attach agreements, which will serve to offset the amount of net revenue  
2 requirement required to be collected from customers. The PPAM would follow a similar  
3 schedule as the RRA with an annual reconciliation filing with supporting testimony and  
4 exhibits submitted by May 1 for a rates effective August 1.

5 **Q. Please define the components included in the PPAM.**

6 A. The PPAM would recover costs associated with the following components:

7 (a) Transferred Poles Rate Base: The incremental return on the transferred poles and the  
8 depreciation expense based on the net purchase price agreed to in the Settlement and Pole  
9 Asset Purchase Agreement. The return will be calculated based on the average beginning  
10 year and ending year rate base, using the approved pre-tax weighted average cost of  
11 capital (“WACC”) as specified in Docket No. DE 19-057. The depreciation expense is  
12 the book depreciation expense calculated using the Company’s approved depreciation  
13 rate for pole assets<sup>1</sup>. The Transferred Poles Rate Base will be calculated as described in  
14 Article 2.1 of the Settlement and Pole Asset Purchase Agreement. This cost item will be  
15 recovered based on the actual rate base balance as of the prior year end and projected  
16 through the end of the current calendar year period.

17 (b) Pole Replacement Rate Base: The incremental return on the replacement of poles

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<sup>1</sup> Depreciation rate for Plant Account 364 Poles, Towers and Fixtures is 3.59% as filed in Docket No. DE 19-057, Updated Revenue Requirement filed 1/22/2021, Bates page 70



1           formerly owned and maintained by Consolidated and the associated depreciation  
2           expense. The return will be calculated based on the average beginning year and ending  
3           year rate base, using the approved pre-tax WACC as specified in Docket No. DE 19-057.  
4           The depreciation expense is the book depreciation expense calculated using the  
5           Company's approved depreciation rate for pole assets<sup>2</sup>. This cost item will be recovered  
6           based on the actual rate base balance as of the prior year end and projected through the  
7           end of the current calendar year period.

8           (c) Pole Replacement O&M Transfer Costs: The actual incremental costs associated with  
9           replacement poles in the former Consolidated maintenance area. This expense will be  
10          recovered one year in arrears, such that the level of expense will equal the actual expense  
11          incurred in the prior calendar year based on the actual number of poles replaced and the  
12          actual Eversource cost to transfer the conductor from the old to the new poles.

13          (d) Annual Inspection Costs: This expense will be recovered one year in arrears, such  
14          that the level of expense will equal the actual expense incurred in the prior calendar year.  
15          This cost will consist of expenses associated with inspecting the number of poles in the  
16          former Consolidated maintenance area and the per pole inspection rate in effect at the

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<sup>2</sup> Depreciation rate for Plant Account 364 Poles, Towers and Fixtures is 3.59% as filed in Docket No. DE 19-057, Updated Revenue Requirement filed 1/22/2021, Bates page 70

1 time.

2 (e) Pole Attachment Revenue: Incremental third-party pole attachment revenues will be  
3 applied as an offset to the items in (a) through (d). Pole attachment revenues for poles  
4 formerly owned by Consolidated will be tracked separately and billed at the Consolidated  
5 rate at the time of closing until a full pole attachment survey is conducted and, or a  
6 single, unified rate is applied to all poles.

7 (f) Property Tax Expense: The incremental property tax expense will be calculated as the  
8 prior year's average transferred/pole replacement net plant balance multiplied by a  
9 property tax rate calculated as prior year distribution property tax expense divided by  
10 distribution gross plant. This amount recovered in the PPAM will be deducted from the  
11 annual property tax expense reconciled through the annual RRA.

12 (g) Vegetation Management Expense: The incremental vegetation management expense  
13 will be calculated as the vegetation management expenses that would have been formerly  
14 billed to Consolidated. This expense will be recovered one year in arrears, such that the  
15 level of expense will equal the actual expense incurred in the prior calendar year. As  
16 described in the course of this proceeding, the Company has been incurring incremental  
17 property tax expense since the date of the signing of the Settlement and Pole Asset  
18 Purchase Agreement that has not been billed to or recovered from Consolidated. The  
19 Company intends to seek recovery of amounts incurred but not paid by Consolidated

1 through the PPAM, including amounts incurred in 2020 and 2021 during the pendency of  
2 this proceeding.

3 **Q. Please explain how the rate will be calculated by rate class.**

4 A. The PPAM rate would be calculated as an average distribution revenue increase  
5 percentage applied to each rate class and shall be considered part of the credit to net  
6 metering customers, unless determined otherwise by the Commission, consistent with  
7 how the RRA rate is calculated and applied.

8 **Q. How would the new reconciling mechanism work?**

9 A. As described previously, the amount of incremental expenses or the manner in which such  
10 expenses are calculated is unchanged by this filing. Only the manner in which such  
11 expenses are *recovered from* customers has been modified with this proposal, to remove  
12 the cost recovery from the RRA in accordance with the Commission's Order. On an annual  
13 basis, Eversource will calculate the net revenue requirement associated with the  
14 Transferred Poles. This will include the return on the average rate base, depreciation  
15 expense, O&M associated with transferring lines and appurtenances on replaced poles, and  
16 O&M inspection costs. The net revenue requirements would be reviewed and reconciled  
17 annually to reflect the net plant resulting from the actual poles replaced and the associated  
18 expense resulting from the replacement. The pole plant will include former Consolidated  
19 poles that are replaced. The Consolidated pole plant replacements, associated transfer  
20 expense and inspection of the Consolidated poles would be tracked separately from the

1 Company's existing pole plant to enable those costs to be separately identified and included  
2 as an individual component in the PPAM. The Company would perform this reconciliation  
3 in the May 1 filing for the prior calendar year's net revenue requirement for the items  
4 described above with rates effective August 1, consistent with the filing schedule of the  
5 RRA.

6 In addition to the net revenue requirement, the Company would include the incremental  
7 property tax expense and vegetation management expense for the prior calendar year. As  
8 it relates to property taxes, the current RRA mechanism provides that the Company's actual  
9 annual property tax expense will be compared against the amount in base distribution rates  
10 and reconciled through the RRA. The Company intends to calculate the level of  
11 incremental property tax expense associated with the pole purchase by using the method  
12 described above. That amount will then be excluded from the amount reconciled through  
13 the RRA.

14 Regarding vegetation management expense, the RRA provides that the Company is  
15 authorized to recover its annual amount of vegetation management as set in base rates of  
16 approximately \$27.1 million, plus an additional amount up to 10 percent above the amount  
17 in base rates, for a total of approximately \$29.8 million. The amount set in base rates was  
18 set net of the amount billed to Consolidated, but not paid by Consolidated, during the test  
19 year. In other words, the vegetation management expense in Eversource's base rates  
20 assumed a contribution from Consolidated that will not exist after the transaction. As a  
21 result, after the transaction the Company will not be able to perform the requisite level of

1 vegetation management activity without accommodation for recovery of the amount of  
2 vegetation management expense that would otherwise have been paid for by Consolidated.  
3 Therefore, the Company's proposal is to recover the amount of vegetation management  
4 expenses that would have been charged to Consolidated under the prior Joint  
5 Use/Ownership Agreement through the PPAM going forward. The Company will include  
6 the necessary documentation and support to justify its calculation of the amount  
7 attributable to Consolidated that, going forward, will be recoverable through the PPAM.

8 **Q. For how long would Eversource need the recovery amounts to flow through the**  
9 **reconciling mechanism?**

10 A. Eversource would need the proposed reconciling recovery structure to remain in place until  
11 the costs from the purchase, inspection and, where necessary, replacement of the  
12 transferred poles, pole attachment revenues and property tax and vegetation management  
13 expenses are incorporated into base rates on a representative basis.

14 **Q. Please explain why this revised cost recovery mechanism is not in conflict with the**  
15 **Settlement Agreement?**

16 A. The Commission's order concludes that a cost recovery mechanism may exist that is  
17 acceptable to Eversource and is not precluded by the Settlement Agreement approved in  
18 Docket No. DE 19-057. The Company believes that the revised cost recovery mechanism  
19 as outlined in this testimony is not in conflict with the Settlement Agreement in that it

1 allows for recovery of costs through a new mechanism without disturbing base distribution  
2 rates or the RRA covered under the Settlement Agreement.

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

4 A. Yes.