

REDACTED

Public Service Company of New Hampshire
d/b/a Eversource Energy
Docket No. DE 21-020
Rebuttal Testimony of Douglas P. Horton
February 25, 2022

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 21-020

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
TO APPROVE POLE ASSET TRANSFER

REBUTTAL TESTIMONY OF DOUGLAS P. HORTON

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

February 25, 2022

REDACTED

Public Service Company of New Hampshire
d/b/a Eversource Energy
Docket No. DE 21-020
Rebuttal Testimony of Douglas P. Horton
February 25, 2022

Table of Contents

I. INTRODUCTION 1
II. RESPONSE TO MR. WHITE’S TESTIMONY..... 3
III. RECOVERY OF THE NET PURCHASE PRICE..... 10
IV. CONCLUSION 23

REDACTED

Public Service Company of New Hampshire
d/b/a Eversource Energy
Docket No. DE 21-020
Rebuttal Testimony of Douglas Horton
February 25, 2022

STATE OF NEW HAMPSHIRE
BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION
REBUTTAL TESTIMONY OF DOUGLAS P. HORTON

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
TO APPROVE POLE ASSET TRANSFER

February 25, 2022

Docket No. DE 21-020

1 **I. INTRODUCTION**

2 **Q. Please state your names, positions, and business addresses.**

3 A. My name is Douglas P. Horton. I am employed by Eversource Energy Service Company
4 as Vice President, Distribution Rates and Regulatory Requirements. My business address
5 is 247 Station Drive, Westwood, Massachusetts 02090.

6 **Q. Did you provide your respective qualifications and professional experience in your**
7 **direct testimony filed on February 10, 2021?**

8 A. Yes, I provided my qualifications and professional experience in the direct testimony I
9 jointly sponsored with Erica Menard that was filed on February 10, 2021 in support of the
10 petition that is the subject of this proceeding.

11 **Q. On whose behalf are you testifying in this proceeding?**

12 A. I am testifying on behalf of Public Service Company of New Hampshire d/b/a Eversource
13 Energy (the “Company” or “Eversource”) in further support of the joint petition filed by

1 the Company and Consolidated Communications of Northern New England Company,
2 LLC d/b/a Consolidated Communications (f/k/a Northern New England Telephone
3 Operations LLC) (“Consolidated”) (Consolidated and the Company may hereinafter be
4 referred to as the “Joint Petitioners”).

5 The joint petition seeks approval of the transfer of certain utility pole assets from
6 Consolidated to Eversource pursuant to a Settlement and Pole Asset Purchase Agreement
7 between the Joint Petitioners (the “Agreement”).

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

9 A. My testimony responds to the direct testimony filed by Stephen Eckberg, on behalf of the
10 Department of Energy (“DOE”), and the direct testimony filed by Patricia Kravtin and
11 James White, each on behalf of New England Cable and Telecommunications Association,
12 Inc. (“NECTA”).

13 As detailed below, this rebuttal testimony seeks to memorialize certain commitments that
14 the Company has made through discovery or is willing to make in response to the testimony
15 of Mr. White. This testimony also addresses DOE and NECTA’s concerns with the
16 purchase price agreed to between the Joint Petitioners which, as explained herein, is the
17 appropriate net book value to utilize for ratemaking of the transferred poles.

18

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

2 A. Following this introductory section, Section II responds to the recommendations in Mr.
3 White’s testimony. Section III addresses the net book value of the transferred poles and
4 associated issues including providing support for how the Company determined an
5 appropriate purchase price. Section III addresses these issues in the context of responding
6 to both Mr. Eckberg and Ms. Kravtin. Section IV is the conclusion.

7 This rebuttal testimony does not specifically address the Company’s proposal for cost
8 recovery because this issue was not raised in intervenor testimony. However, the Company
9 does continue to request approval of its cost recovery proposal as submitted in its
10 November 2021 filing with the Commission.¹

11 **II. RESPONSE TO MR. WHITE’S TESTIMONY**

12 **Q. Please summarize Mr. White’s recommendations set forth in his testimony.**

13 A. Mr. White’s testimony focuses on post-transaction invoicing by Eversource to third-party
14 attachers, including NECTA members. Mr. White states that his recommendations are
15 made to ensure that post-transaction invoicing is accurate and that post-transaction license
16 applications and related activities are timely handled. To achieve these objectives, Mr.
17 White makes the following ten recommendations:

- 18 1. Upon transfer of the poles, Consolidated will cease billing NECTA members
19 any amount for attachments to the transferred poles;

¹ The Company’s November 15, 2021 filing included a revised proposal for cost recovery in response to the Commission’s October 22, 2021 Order No. 26,534 issued in this proceeding.

- 1 2. Post transfer, Eversource shall bill NECTA members for the same number
2 of attachments as that for which Consolidated ceased billing for the
3 transferred poles, adjusted for any new attachments made post transfer;
- 4 3. Eversource and Consolidated will be required to provide NECTA members
5 with a separate report containing detailed backup data for the invoices that
6 show the changes resulting from change in pole ownership;
- 7 4. Consolidated shall cease billing a Joint Use charge for the transferred poles,
8 and Eversource shall not impose a Joint Use charge for any transferred pole
9 or any pole solely owned by Eversource;
- 10 5. Eversource’s and Consolidated’s pole attachment invoices must be prorated
11 to reflect the date of the transfer;
- 12 6. All pole attachment licenses issued by Consolidated for the transferred poles
13 must be transferred to Eversource, both companies must maintain all
14 documents relating to the transferred licenses, and both companies must
15 maintain all documents relating to the transferred licenses, and both
16 companies must provide NECTA members with access to those documents
17 upon request;
- 18 7. Eversource shall adhere to the pole attachment licensing, survey and
19 makeready work timelines contained in the Commission’s pole attachment
20 rules at Puc 1303.04 and 1303.12;
- 21 8. Eversource shall not impose a new application fee or make ready charge
22 upon pole attachment license applicants who had made those payments to
23 Consolidated in connection with applications for attachments to transferred
24 poles that were solely owned by Consolidated;
- 25 9. Eversource and Consolidated shall follow the process set forth in Attachment
26 JGW-10 or a substantially similar process for pole attachment license
27 applications pending at the time of transfer for the transferred poles; and
- 28 10. Adoption of the recommendations set forth in Ms. Kravtin’s testimony
29 relative to ensuring that the pole attachment rates for the transferred poles
30 are nondiscriminatory, just and reasonable.

31 **Q. Will Eversource agree to any of Mr. White’s nine recommendations as presented in**
32 **his testimony?**

33 **A. Yes.** Eversource agrees to implement Mr. White’s first, seventh, eighth and ninth
34 recommendations without modification or clarification. Eversource is also authorized to
35 represent that Consolidated agrees with Mr. White’s first recommendation and will cease

1 charging NECTA members for any attachments on poles transferred to Eversource
2 effective on the date that the proposed transaction closes.

3 **Q. Please explain the modifications or clarifications necessary for the Company to agree**
4 **to Mr. White’s second recommendation.**

5 A. Mr. White’s second recommendation is as follows:

6 2. Post transfer, Eversource shall bill NECTA members for the same number of
7 attachments as that for which Consolidated ceased billing for the transferred poles,
8 adjusted for any new attachments made post transfer. The number of each of
9 NECTA member’s pole attachments on Eversource’s invoices will be required to
10 match a corresponding decrease in the number of pole attachments on
11 Consolidated’s invoices.

12 Eversource agrees with Mr. White and NECTA that its members should not be charged for
13 additional attachments following the transfer of poles from Consolidated to Eversource
14 without appropriate documentation.² It is Eversource’s expectation that the number of
15 attachments will remain consistent for third-party attachers following the transfer.

16 For transferred poles that were jointly owned with Consolidated, Eversource will continue
17 to send one invoice, as it does today, reflecting the number of attachments on the Eversource
18 system of record. After closing, Eversource will send a second invoice which will contain
19 the same number of attachments billed by Consolidated to its attachers on transferred assets
20 at the time of closing. In this way, as of the date of closing, attachers will receive two
21 invoices; one will match the number of attachments on the Consolidated invoice as of the

² See Attachment ES-DPH-1 at 82, 95, 96, 99.

1 date of closing and one will match the current Eversource invoices. This will be the case
2 until the number of attachments changes post-closing due to requests for changes from
3 attachers, and/or the completion of a pole attachment survey.³

4 As it relates to poles that are currently solely owned by Consolidated that would be acquired
5 by Eversource if this transaction is approved, Eversource will send one invoice to attachers
6 with respect to transferred poles that were solely owned by Consolidated. In this way, the
7 Company will rely on the billing records of Consolidated as of the closing date of the
8 transaction, if approved, to facilitate billing post-transaction.

9 In summary, as it relates to Mr. White’s second recommendation, the Company is
10 committed to ensuring that the combined number of attachments billed by Consolidated and
11 Eversource does not change as a result of this transaction; that the number of attachments
12 currently billed by Eversource will not change as a result of this transaction; and that
13 Eversource will assume billing utilizing the same billing determinants (number of
14 attachments and rates) as utilized by Consolidated at the time of closing.

15 Saying that, the Company intends in the future to consolidate its billing for pole attachments
16 so that it will not continue to issue multiple bills in perpetuity. If the transaction is approved,
17 the Company anticipates that it would conduct a pole attachment survey at some point
18 following the transaction that will confirm the number of attachments, which would serve

³ See Attachment ES-DPH-1, at 89.

1 as the basis for going-forward billing.

2 **Q. Please explain the modifications or clarifications necessary for the Company to agree**
3 **to Mr. White's third recommendation.**

4 A. Mr. White's third recommendation is as follows:

5 3. Eversource and Consolidated will be required to provide NECTA members with
6 a separate report containing detailed backup data for the invoices that show the
7 changes resulting from change in pole ownership.

8 Eversource does not object to providing information it has as backup to the bills it issues.
9 However, it is not clear what Mr. White is requesting this report show, or the form or
10 frequency of provision of any such report. The Company is prepared to work with Mr.
11 White during the pendency of this proceeding to identify what information is sought, and in
12 what format and frequency, to the extent feasible, in order to resolve areas of potential future
13 dispute. In addition, even in lieu of reaching consensus on this issue, the Company commits
14 to working productively with NECTA members to resolve issues that may arise as post-
15 transaction invoicing occurs. In the event that a NECTA member alleges that its number of
16 attachments has changed post-transfer and the changes do not relate to new attachments, the
17 Company will work with the member to review prior Consolidated invoices and compare
18 these invoices to the new post-transfer invoices issued by Eversource and correct any
19 discrepancies in a timely manner.

20 **Q. What is the Company's response to Mr. White's fourth recommendation?**

21 A. Mr. White's fourth recommendation is as follows:

1 4. Consolidated will cease billing a joint use charge for the transferred poles, and
2 Eversource will not impose a joint use charge for any transferred pole or any pole
3 solely owned by Eversource.

4 It is Eversource’s understanding that Consolidated has made this commitment to cease
5 charging a joint use fee and Eversource does not charge a joint-use fee. The Company has
6 no plans to institute a joint-use fee and therefore, the Company agrees that no joint-use fees
7 will be appropriate as of the date of the transfer.

8 Eversource does seek to clarify that there may be transferred poles that are currently tri-
9 owned (*i.e.*, poles that are currently owned by Eversource, Consolidated, and another party).
10 These tri-owned poles will continue to be subject to joint-owned rates (not joint use). Joint-
11 owned rates are not inconsistent with Mr. White’s fourth recommendation and will continue
12 for those poles that change from tri-owned to joint owned following the transaction.

13 **Q. What is the Company’s response to Mr. White’s fifth recommendation?**

14 A. Mr. White’s fifth recommendation is as follows:

15 5. Eversource and Consolidated will prorate their invoices to reflect the date of the
16 transfer.

17 This issued is addressed in Section 3.2 of the Agreement. The Joint Petitioners agree that
18 attachers will not be charged any more than 100 percent of the applicable pole attachment
19 fees for the applicable time period during which the transaction closes, if it closes.
20 However, there is no need to pro-rate invoices to attachers because allocation of attachment
21 fees will occur between the Joint Petitioners depending on the date of closing.

1 **Q. What is the Company’s response to Mr. White’s sixth recommendation?**

2 A. Mr. White’s sixth recommendation is as follows:

3 6. All pole attachment licenses issued by Consolidated for the transferred poles
4 will be transferred to Eversource and both companies will maintain all documents
5 relating to the transferred licenses providing access upon request.

6 Eversource agrees that all attachment licenses should and will be assigned to Eversource
7 with the transfer of pole ownership.⁴

8 The Company does not, however, agree that the Joint Petitioners should both maintain all
9 documents relating to the assigned licenses. Third-party attachers should have these
10 documents making it largely unnecessary to request copies from the Joint Petitioners. For
11 the limited circumstances, when an attacher would require a copy of their own license
12 documentation, the Joint Petitioners have agreed that Consolidated will maintain records
13 related to these licenses and provide access to the records to Eversource, upon request. If a
14 third-party attacher requests a copy of the license documents from Eversource, the Company
15 will make a subsequent request to Consolidated on behalf of the third-party attacher. This
16 is appropriate in lieu of requiring both of the Joint Petitioners to store these voluminous
17 documents in perpetuity.

18 **Q. What is the Company’s response to Mr. White’s seventh, eighth, and ninth**
19 **recommendations?**

20 A. Mr. White’s seventh, eighth, and ninth recommendations are as follows:

⁴ Attachment ES-DPH-1, at 94.

1 7. Eversource will adhere to the pole attachment licensing, survey and makeready
2 work timelines contained in the Commission’s pole attachment rules (Puc 1303.04
3 and 1303.12).

4 8. Eversource will not impose a new application fee or make ready charge upon
5 pole attachment license applications who have already made these payments to
6 Consolidated in connection with applications for attachments on transferred poles
7 that were solely owned by Consolidated.

8 9. Eversource and Consolidated will follow the process set forth in Attachment
9 JGW-10 for pole attachment license applications that are pending at the time poles
10 are transferred from Consolidated to Eversource.

11 As stated previously, Eversource agrees to implement Mr. White’s first, seventh, eighth,
12 and ninth recommendations without modification or clarification.

13 **Q. What is the Company’s response to Mr. White’s tenth recommendation?**

14 A. Mr. White’s tenth recommendation is as follows:

15 10. The Commission should adopt the recommendations set forth in Ms. Kravtin’s
16 testimony relative to ensuring that the pole attachment rates for the transferred poles
17 are nondiscriminatory, just and reasonable.

18 The Company addresses this recommendation in Section III, below.

19 **III. RECOVERY OF THE NET PURCHASE PRICE**

20 **Q. Please provide an overview of the proposed transaction.**

21 A. If approved, the proposed transaction will transfer ownership of Consolidated’s ownership
22 interest in 343,098 poles that currently jointly owned by Consolidated and Eversource. The
23 proposed transaction will also transfer Consolidated’s ownership interest in 3,844 poles
24 that are currently solely owned by Consolidated and located in the Company’s service
25 territory to which Eversource has attached electrical facilities. In exchange for receiving

1 this ownership interest in the poles from Consolidated, Eversource has agreed to pay
2 Consolidated [REDACTED] This net
3 payment amount represents the agreed upon value of Consolidated’s pole ownership
4 interest (the net purchase price) less a settlement amount to resolve outstanding vegetation
5 management claims against Consolidated by Eversource.

6 **Q. What is the net purchase price associated with the proposed transaction and how was**
7 **it determined by the Joint Petitioners?**

8 A. The net purchase price of [REDACTED]
9 is based on an agreement between the Company and Consolidated that represents the gross
10 purchase price less a reduction for poles that failed inspection in the course of inspections
11 completed by Consolidated during or prior to the Joint Petitioners’ negotiations.⁵ The
12 gross purchase price was reduced to reflect this credit for poles that failed inspection
13 because the Company will need to replace these poles at its own cost. The gross purchase
14 price of [REDACTED] was determined
15 through negotiations between the Joint Petitioners.

16 **Q. If the gross purchase price amount is a negotiated amount, how did Eversource**
17 **determine whether the amount was reasonable?**

18 A. As outlined above, the Company is joint owner of 343,098 poles with Consolidated, which
19 is the majority of poles that are the subject of this transaction. The Company was therefore
20 able to ensure that it is paying a reasonable amount for the transferred poles by comparing

⁵ Attachment ES-DPH-1, at 87.

1 the gross purchase price to the net book value of these jointly owned poles as the assets are
2 recorded in Eversource's financial statements. The gross purchase price was less than half
3 of the net book value for these same poles as of the date that the Company entered into the
4 agreement with Consolidated. This provided Eversource with confirmation that the gross
5 purchase price is a fair and reasonable price to pay for the transferred poles.

6 **Q. Why didn't the Company rely on Consolidated's net book value for the transferred**
7 **poles?**

8 A. The Company's net book value for the transferred poles is the appropriate comparison
9 because Consolidated is a minimally regulated Excepted Local Exchange Carrier under
10 New Hampshire law. This means that Consolidated is not required to adhere to regulatory
11 accounting requirements applicable to electric distribution companies for ratemaking
12 purposes. For example, the depreciation expense recorded by Consolidated is not required
13 to be the result of a Commission-approved depreciation study. As a result, Consolidated
14 has depreciated the plant associated with the transferred poles over a highly accelerated,
15 five-year period. A five-year period is an extraordinarily shortened amortization period.
16 Eversource adheres to regulated utility practices for recording depreciation of pole plant
17 over a 30-year period. In other words – for a rate-regulated utility (like Eversource), the
18 accumulated depreciation more closely reflects the recovery of an investment from its
19 customers.

20 As a result, if a rate regulated utility purchases an asset from another rate regulated utility,
21 it is not typically allowed to include amounts above the net book value of that asset in rate

1 base. However, this is not the case with this transaction. Consolidated, unlike Eversource,
2 is minimally regulated and is not required to record depreciation expense based on a
3 Commission-approved depreciation study, nor does Consolidated recover costs in
4 alignment with customer use of the assets, as do utility customers. Therefore, unlike
5 Eversource (or other rate-regulated utilities), Consolidated’s assets are worth more than the
6 financial book value, without any “premium” attached. The net book value amounts
7 proposed by Mr. Eckberg and Ms. Kravtin do not reflect the remaining unrecovered
8 balance from customers, as would be the case with a fully regulated utility that has aligned
9 recovery of costs from customers with the depreciation expense. As a result, it is not
10 appropriate to rely on either calculation in establishing the appropriate net book value of
11 the purchased assets to be used in ratemaking going forward.

12 **Q. How was the gross purchase price adjusted to determine the net purchase price for**
13 **the transaction?**

14 A. The gross purchase price was adjusted to account for poles that failed during inspection
15 based on the need for Eversource to replace these poles (this deduction resulted in the net
16 purchase price).

17 **Q. Please describe the adjustment made to the gross purchase price to account for failed**
18 **poles?**

19 A. The Joint Petitioners agreed to deduct [REDACTED]
20 [REDACTED] from the gross purchase price to account for certain poles that failed
21 during an inspection performed prior to the date of the agreement.

1 **Q. What amount is the Company proposing to record as the net book value for this**
2 **transaction?**

3 A. For the reasons explained previously, the Company has proposed to record the net purchase
4 price of [REDACTED] as the net book
5 value for this transaction. The Company has proposed to record this amount because it
6 represents the actual value associated with the poles it is acquiring, should this transaction
7 move forward as currently contemplated.

8 **Q. Do the Department of Energy and NECTA agree that this is the correct amount to**
9 **record as the net book value associated with the transaction?**

10 A. No. DOE and NECTA have each recommended different net book values in their direct
11 testimony. I address the flaws with each approach to determining net book value below.

12 **Response to Department of Energy**

13 **Q. Mr. Eckberg’s first concern with the Company’s proposal to record the net purchase**
14 **price as the net book value is his assertion that the net purchase price includes the**
15 **vegetation management settlement amount. Is Mr. Eckberg’s understanding of how**
16 **the vegetation management settlement amount is accounted for correct?**

17 A. No. Mr. Eckberg’s testimony argues that the net purchase price includes the settlement
18 amount related to vegetation management. This is incorrect. The net purchase price
19 represents the gross purchase price less the “credit” to Eversource of [REDACTED]
20 [REDACTED] for failed poles. The vegetation
21 management settlement amount is not included in the net purchase price. Instead, the
22 vegetation management settlement amount reflects a receivable on Eversource’s books,

1 which the Company will deduct from the net purchase price in determining the amount of
2 cash exchanging hands as of the date of closing.

3 Put another way, instead of Eversource paying Consolidated the net purchase price and
4 Consolidated paying Eversource the vegetation management settlement amount in two
5 separate transactions, the amount Consolidated owes Eversource for vegetation
6 management will be netted out from the amount owed to Consolidated by Eversource for
7 purchase of the poles. Structuring payment for the transaction in this way does not change
8 the net book value associated with the poles because the purchase price and the disputed
9 vegetation management costs are two separate issues.

10 **Q. Mr. Eckberg provides his own proposed net book value for the transferred poles.**
11 **Please provide an overview of how Mr. Eckberg has calculated the net book value.**

12 A. Mr. Eckberg recommends a net book value of \$13,382,128. Mr. Eckberg has calculated
13 this proposed net book value based on ARMIS report data provided by Consolidated during
14 the discovery process.

15 **Q. Why is Mr. Eckberg's net book value calculation problematic?**

16 A. Mr. Eckberg's net book value calculation is problematic because it relies on data that was
17 produced to respond to discovery but that is not representative of the actual value of the
18 assets. As explained above, Consolidated is not required to use a Commission-approved
19 depreciation rate. This means that Consolidated is free to apply a depreciation rate that
20 results in an expedited amortization of assets, indicating a low book value for, essentially,
21 a brand-new asset, which is not correct. Customers have not paid for the asset yet.

1 **Q. Does Mr. Eckberg make any additional arguments related to the Company’s**
2 **proposal?**

3 A. Yes. Mr. Eckberg also asserts that the reliability benefits associated with the proposed
4 transaction may be limited because Eversource already sets poles in Consolidated’s
5 maintenance area and therefore it is possible that no material impact will result from the
6 transaction.

7 **Q. What is the Company’s response to this assertion regarding benefits associated with**
8 **the proposed transaction?**

9 A. First, this assertion is incorrect. Consolidated has set poles for Eversource in the
10 Consolidated maintenance areas since it acquired FairPoint Communications, albeit not as
11 many as in prior years. Second, this assertion ignores the efficiencies related to pole setting
12 that the Company has highlighted during the proceeding. As explained in Attachment
13 SRE-7 (the response to Data Request Staff 2-001), when there is an outage situation in the
14 Consolidated maintenance area Eversource currently has to make the scene safe for
15 Consolidated and then wait for Consolidated to set the new pole before moving its power
16 facilities to the new pole. Alternatively, Eversource can obtain approval to set the pole but
17 waiting for this approval from Consolidated can take hours causing outage restoration
18 delays. Additionally, as part of planned project work, Eversource must wait for
19 Consolidated to set poles in the Consolidated maintenance area, which creates delays in
20 planned work. Many times, Consolidated is unable to meet the time requirements
21 established and Eversource ultimately sets the pole in Consolidated’s maintenance area.
22 Following the transaction and taking ownership of the transferred poles, Eversource will

1 be able to perform all three functions at one time without having to wait for Consolidated
2 to set the pole or approve Eversource setting the pole. This will streamline outage
3 restoration and reduce delays in planned construction work to the benefit of customers.

4 Therefore, the Company’s proposal to acquire these poles will create the operational and
5 administrative efficiencies associated with transfer of jointly owned poles to electric
6 distribution companies⁶ that Mr. Eckberg states DOE supports.

7 **Response to NECTA**

8 **Q. Ms. Kravtin also recommends a different net book value for the transferred poles.**
9 **Please explain how Ms. Kravtin determined her recommended net book value.**

10 A. Ms. Kravtin has calculated a net book value recommendation based on the same data
11 provided by Consolidated that is relied on by Mr. Eckberg, discussed above. Although Ms.
12 Kravtin reaches a different number, the reason for rejecting Ms. Kravtin’s calculation
13 remains the same.

14 Like DOE, NECTA calculates a net book value using the data provided by Consolidated
15 on December 6, 2021 in response to Commission Order No. 26,534. As explained above,
16 the net book value data provided by Consolidated in response to NECTA’s motion to
17 compel is not an appropriate way to determine the net book value for Eversource to record
18 because it does not reflect the actual value of the assets. Specifically, Consolidated is not

⁶ See Attachment ES-DPH-1, at 66-67, 84.

1 subject to a Commission-approved depreciation rate and does not adhere to the same
2 regulatory accounting methods as electric distribution companies. As a result,
3 Consolidated’s books are showing an inordinately low value for a new asset, which is not
4 an accurate, reasonable or appropriate basis for valuing the asset that is subject to transfer.

5 **Q. Ms. Kravtin refers to the difference between the net purchase price and her**
6 **recommended net book value as an “acquisition premium.”⁷ Is this an accurate**
7 **description?**

8 A. Absolutely not. In utility ratemaking, an acquisition premium is the amount paid in excess
9 of the net book value of an asset – *where the utility’s depreciation rate is aligned with the*
10 *use of the asset over time*. In this circumstance, the net book value recorded on the utility’s
11 books at any given time would track closely to the value of the asset based on remaining
12 useful life and condition. In the utility circumstances, an acquisition premium therefore is
13 the payment of value over and above the actual value of the asset, as defined by a net book
14 value that has a close nexus with actual asset value. Here, the net book value is materially
15 diminished because – in essence – the owner has paid off the asset quickly breaking the
16 nexus between the financial book value and the actual value of the asset. As a result, the
17 Company is not proposing to pay an amount for the transferred poles that is in excess of
18 the net book value; instead, the Company is proposing to pay for what the assets are worth

⁷ DOE also references an “acquisition premium” correctly stating that the Company has not sought to record any portion of the net purchase price as an acquisition premium. The Company does not agree that any portion of the net purchase price is equivalent to an acquisition premium, however, should the Commission reach the conclusion that an acquisition premium exists, the Company reserves the right to submit additional testimony or a brief regarding appropriate treatment of any such acquisition premium.

1 given their age and condition and customers have not yet paid for the asset that they are
2 receiving to the extent reflected in Consolidated’s net book value. More specifically, the
3 net purchase price is equivalent to the amount the Company determined to be the net book
4 value of the transferred poles, had the depreciation rate been aligned with customer use of
5 the pole. As discussed above, Eversource is a partial owner of the majority of the
6 transferred poles and was able to confirm that the net purchase price represents a reasonable
7 net book value based on the net book value associated with its current ownership interest
8 in the assets.⁸ Ms. Kravtin’s assertions that Eversource has agreed to an incorrect valuation
9 does not create an acquisition premium.

10 **Q. Ms. Kravtin’s second argument is that the net book value proposed by the Company**
11 **will result in excessive pole attachment rates on top of what Ms. Kravtin argues are**
12 **already excessive rates charged by Eversource. Does the Company agree with these**
13 **conclusions regarding its pole attachment rates?**

14 A. No. It is important to separate the issues of net book value from the attacher rate. Although
15 it is accurate that pole attachment rates reflect the net book value of the assets that are
16 included in the pole attachment rate, the resulting rates should not be used as a basis for
17 alleging that the net book value associated with the transaction is on its face unreasonable.
18 The net book value of the transaction is based on the value of the assets being transferred
19 to Eversource by Consolidated. Attacher rates are determined through a separate, regulated
20 process.

⁸ Attachment ES-DPH-1, at 69-73, 101, 102.

1 It is also important to note that any decrease to the pole attachment rates charged to NECTA
2 members would result in a cost shift and associated increase in rates to all other customers.
3 This is because the revenues collected from pole attachers serves to offset the Company’s
4 cost of service when setting rates charged to all other customers. Assuming the cost of
5 service is the same, lowering the pole attachment rate (and thus lowering pole attachment
6 revenues) will cause an increase in all other rates. Conversely, increasing the pole
7 attachment rate, all else equal, will lower all other rates. The goal of this exercise should
8 be to determine the true cost to each entity (*i.e.*, pole attacher, residential customer,
9 commercial customer, etc.).

10 Eversource calculates its pole attachment rates using the Unified Pole Rent formula
11 approved in Docket No. DT 12-084; for jointly owned poles the pole attachment rate is
12 calculated as 50 percent of the Unified Pole Rent formula.⁹ This formula was included in
13 a settlement agreement between the Company, Time Warner Entertainment Company, L.P.
14 d/b/a Time Warner Cable, Comcast Cable Communications Management, LLC, Comcast
15 of New Hampshire, Inc., Comcast of Massachusetts/New Hampshire, LLC and Comcast
16 of Maine/New Hampshire, Inc., and segTEL, Inc.¹⁰ that was approved by the Commission
17 on January 17, 2013 in Order No. 25,453. The Commission’s decision found that the

⁹ See Attachment ES-DPH-1, at 97.

¹⁰ NECTA was not a party to Docket No. DT 12-084; however, the settling parties included its members (*e.g.*, Mr. White is the Senior Director of Regulatory Affairs at Comcast Cable).

1 settlement agreement and its terms (including the Unified Pole Rent formula) was just,
2 reasonable and in the public interest.¹¹

3 Pursuant to the terms of the settlement agreement, the signatories to such agreement “shall
4 not challenge the lawfulness of the Unified Pole Rent formula in court, before the
5 Commission or in any other forum.”¹² Instead, any modification to the settlement
6 agreement must be made in writing between the parties to the settlement agreement. In
7 accordance with that approval, Eversource’s rates adjust annually based on inputs to this
8 formula from the Company’s FERC Form No. 1.

9 The Company has not proposed to make any changes to pole attachment rates in this
10 proceeding or as a direct result of this transaction. Following closing of the transaction,
11 the Company will continue to invoice attachers consistent with current Eversource and
12 Consolidated rates. Therefore, pole attachment rates are not relevant to this proceeding
13 contrary to the assertions of Ms. Kravtin. Any alleged disputes regarding the Company’s
14 pole attachment rates would be the subject of a separate proceeding.¹³

¹¹ Docket DT 12-084, Order No. 25,453 at 5.

¹² The settlement agreement is provided as Attachment ES-DPH-2.

¹³ Should the Commission seek to revise the Company’s pole attachment rates in this proceeding, Eversource reserves the right to submit additional testimony or exhibits in further support of its pole attachment rates and formula. For example, Ms. Kravtin incorrectly argues that the entire state of New Hampshire is considered “rural” under the current FCC formula definitions. This is incorrect because urban populations include populations greater than 50,000 which includes Manchester and Nashua. If Eversource was directed to follow current FCC rules, the Company would need to produce an urban and non-urban calculation.

1 **Q. Ms. Kravtin also takes issue with the pole attachment rates charged by Consolidated.**
2 **Does the Company have a response to the assertion that Consolidated’s rates are not**
3 **just and reasonable?**

4 A. Consolidated’s pole attachment rates are the result of contracts entered between
5 Consolidated and third-party attachers; these agreements will transfer to Eversource upon
6 closing of the transaction. The Company is not proposing to make any changes to these
7 rates until the costs associated with the acquisition of CCI’s pole infrastructure are reflected
8 in Eversource’s pole attachment rate calculation, which relies on the Company’s books and
9 records as recorded in the FERC Form No. 1.

10 Further, the contracts between Consolidated and its third-party attachers, including
11 NECTA members, include a dispute resolution process that attachers can avail themselves
12 to for purposes of challenging or seeking to adjust their rates. Any changes to the existing
13 Consolidated rates initiated by Eversource would occur at a future date and follow the
14 terms of the existing contract, as is the case today under Consolidated ownership.

15 **Q. Ms. Kravtin’s final concern is that Consolidated will pay a fixed amount for its**
16 **attachments on the transferred poles for the first two years following the closing of**
17 **the proposed transaction. Ms. Kravtin argues that this negotiated amount results in**
18 **pole attachment fees that are discriminatory. Do you agree with this assessment?**

19 A. No. The Company agreed to this pole attachment fee based on the third-party attacher rates
20 at the time that negotiations began and using an estimated number of attachments for
21 Consolidated. Consolidated does not track the number of its own attachments on poles it

1 jointly or solely owns.¹⁴ As a result, the Joint Petitioners had to agree on an estimated
2 number of attachments for Consolidated and associated attachment fee. In order to come
3 to a complete resolution of issues with Consolidated, the parties had to bring certainty to
4 the pole attachment issues. The manner in which this issue was dealt with is fair and
5 reasonable considering all aspects of the this proposed transaction.

6 **IV. CONCLUSION**

7 **Q. Do you have any concluding remarks to your testimony?**

8 A. Yes. As a public service company providing electric distribution service to New
9 Hampshire residents and businesses, it is in the best interest of the public for Eversource
10 to take ownership of the Transferred Poles so that it can more thoroughly and efficiently
11 inspect, maintain and replace as necessary the utility poles, and therefore ensure the proper
12 condition of the poles, reliability of its system, and the safety of the public. The Company
13 has also proposed a net book value for this proposed transaction that is reasonable and
14 based on applicable data resulting in minimal bill impacts to customers.

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

16 A. Yes.

¹⁴ Attachment ES-DPH-1, at 80.