STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

May 10, 2022 - 9:01 a.m. **DAY 2**
21 South Fruit Street
Suite 10
Concord, NH

[Hearing also conducted via Webex]

RE: **DE 21-020**
EVERSOURCE ENERGY AND
CONSOLIDATED COMMUNICATIONS:
Joint Petition to Approve Pole
Asset Transfer.

PRESENT: Chairman Daniel C. Goldner, Presiding
Commissioner Carleton B. Simpson

Eric Wind, Esq., PUC Legal Advisor

Doreen Borden, Clerk & PUC Hybrid
Hearing Host

APPEARANCES: **Reptg. Eversource Energy:**
Jessica Buno Ralston, Esq.
(Keegan Werlin)

Reptg. Consolidated Communications of Northern New England:
Patrick C. McHugh, Esq.

Reptg. New England Cable and Telecommunications Assn. (NECTA):
Susan S. Geiger, Esq. *(Orr & Reno)*
David Soutter, Esq. *(NECTA)*
Stacey Parker, Esq. *(Comcast)*

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

APPEARANCES: ***(C o n t i n u e d)***

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Julianne M. Desmet, Esq.
Josie Gage, Dir./Economics & Finance
Office of Consumer Advocate

Reptg. New Hampshire Dept. of Energy:
David K. Wiesner, Esq.
Stephen Eckberg, Electric Group
(Regulatory Support Division)

I N D E X

E X H I B I T S

EXHIBIT NO.	D E S C R I P T I O N	PAGE NO.
73	Eversource Energy responses to NECTA Data Requests	*premarked*
74	NECTA response to Eversource Data Request 1-3	*premarked*

P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning. We're here in Docket 21-020 relating to the Eversource Energy and Consolidated Communication Joint Petition for approval of pole asset transfer. This hearing is continued from the hearing on March 15th, 2022.

Before getting underway, there are a few items to discuss, starting with confidential treatment. Because all rights to request rehearing and appeal have not been exhausted, all information requested shall continue to be treated as confidential for the purposes of today's hearing. We plan to issue an order addressing motions for rehearing as quickly as possible.

As far as other administrative matters, we did not remove identification and admit any exhibits in the last hearing, nor did we finalize the briefing schedule. So, we'll address exhibits and set the dates for briefs and reply briefs before we close today.

Are there any other administrative matters that I'm missing?

MR. KREIS: Mr. Chairman, if I might? Before I enter an appearance, or I guess I already have, I just want to make you aware of my disappearance. I have to leave at about the noon hour to catch a flight down at Logan Airport. But I have my able team here to take over should this hearing continue after I leave.

CHAIRMAN GOLDNER: Okay.

MR. KREIS: Just didn't want to surprise you.

CHAIRMAN GOLDNER: Thank you, Mr. Kreis.

Okay. Anything else?

[No verbal response.]

CHAIRMAN GOLDNER: No? Okay. We're here to conclude the evidentiary hearing with cross-examination and Commissioner questions on two narrow topics. First, Eversource's revised cost recovery proposal, and second, on the rebuttal testimony of one of NECTA's witnesses, Ms. Kravtin.

So, we'll proceed with the NECTA, OCA, DOE, and Commission questions for Eversource's witness panel related to cost recovery, then turn to Eversource, Consolidated, and Commission questions to Ms. Kravtin, an opportunity for redirect will also be available, if necessary.

After that, we will provide an opportunity for each of the parties to provide a closing statement, while noting that the opportunity to file post-hearing briefs is also available to each of the parties.

Am I missing anything? Everybody is good?

Mr. Wiesner.

MR. WIESNER: Mr. Chairman, I wonder if we might also address points that were raised in the record request responses submitted by the parties following the previous hearing?

CHAIRMAN GOLDNER: Yes. Yes. Was there a time that you thought would work best for that?

MR. WIESNER: Well, I -- so, I had questions for Mr. Horton when he's on the stand.

CHAIRMAN GOLDNER: Oh, of course. Yes.

MR. WIESNER: With respect to the record request responses that followed the March hearing.

CHAIRMAN GOLDNER: Yes, sir. Yes. That would be perfectly fine.

MR. WIESNER: And I guess I'll also suggest that I had not prepared a closing statement, because I thought that we would address those issues through the briefs.

CHAIRMAN GOLDNER: Yes.

MR. WIESNER: I can wing it, but --

CHAIRMAN GOLDNER: I think what we wanted to do was just make the option available. But understanding that briefs were requested previously in the assented-to motion. So, it would be "closing optional".

Okay. Anything else, before we get started?

[No verbal response.]

CHAIRMAN GOLDNER: Okay. Will Eversource's panel of witnesses please take the stand. I remind you that you are still under oath.

*(Whereupon **Douglas P. Horton** was recalled to the stand, having been previously sworn in during the March 15, 2022 hearing in this docket.)*

CHAIRMAN GOLDNER: And, when the witness is settled in, we'll begin with NECTA cross, beginning with and I'll recognize Ms. Geiger.

MS. GEIGER: Thank you, Mr. Chairman. Mr. Horton, just let me know when you're ready, okay?

WITNESS HORTON: Thank you. I'm ready.

MS. GEIGER: Thank you.

DOUGLAS P. HORTON, Previously sworn.

CROSS-EXAMINATION *(resumed)*

BY MS. GEIGER:

Q Mr. Horton, I'm going to be asking you questions about two documents. And could you please refer to Exhibit 70, which was the response to a record request from the last hearing. Just let me know when you have it.

A Just because my printed version may not be marked the same, it was Record Request 3, correct?

Q I don't recall that. But perhaps I can just refresh your memory. What the document I am looking at is Exhibit 70, Bates Page 003. And it's entitled "Estimated Incremental Revenue Requirement through Year 3". You may remember that document, which you previously filed as "Exhibit 8". It was attached to your prefiled testimony that was submitted with the -- with the Joint Petition back in February of 2021.

A Yes.

Q So, that document, Exhibit 70, Bates Page 003, is entitled "Estimated Incremental Revenue Requirement through Year 3", correct?

A That's correct.

Q And, as I just indicated, is that basically the updated version of Exhibit 8, which was attached to your -- it has the same title and was attached to your prefiled testimony?

A It is, except that it's been updated to reflect the removal of the capital related components of recovery, as well as to update for the latest pole attachment rate calculations, and our expectation of the timing and expense associated with vegetation management.

Q Understood. Thank you for that clarification. Now, could you please look at Line 26 of both, both documents please?

A Okay.

Q And, on Line 26, there are amounts that are

listed for the revenues that pole attachers, other than Consolidated, will pay to Eversource for Years 1, 2, and 3, following the close of the pole transfer, is that correct?
A Those lines reflect estimated pole attachment revenues from third parties, based on, in the updated Exhibit 70, the most recent calculation of the pole attachment rate. The actual amounts would depend on the rates that are in effect from time to time.
Q Right. Understood. Those are just estimates, correct?
A Right.
Q Okay. And, on Exhibit 8, which is a similar document, which was prepared, I believe, at the time of the filing of the Joint Petition, those revenues are estimated revenues for third party pole attachers, other than Consolidated, are listed as "2.1 million" for Years 1 and 2, and "1.4 million" for Year 3. Is that correct?
A Well, I think, in Exhibit 8, it's "2.1 million" for Years 1 and 2, and then "1.0 million" for Year 3.
Q That's correct. I'm sorry, I stand corrected. I

was confusing Exhibit 8 with Exhibit 70. If you looked at Exhibit 70 here again, in Year 3, you've got revenues from third party attachers at "1.4 million", as I just indicated. And then, the revenues for Year 1 and Year 2 are "2.7 million" in each year, correct?
A Correct. In Exhibit 70, it's "2.7 million" for Year 1 and Year 2, and "1.4 million" for Year 3.
Q Okay. And the increases in the estimated pole revenues from third party attachers, other than Consolidated, result from the fact that this exhibit was updated to reflect the increase in Eversource's pole attachment rates, is that correct?
A Correct.
Q Okay. And, so, we find, comparing those two documents, Line 26, we find that the revenues that Eversource expects to receive from third party attachers in Year 1 and Year 2 increase by $600,000 each year, and by 400,000 -- in Years 1 and 2, and by $400,000 in Year 3, is that correct?
A Six hundred thousand (600,000) in Years 1 and 2, and 400,000 in Year 3., that's correct.

Q Okay. Now, looking at Line 27 of both documents, we see that there is no increase in the -- in the projected revenues that Eversource expects to receive from Consolidated in Years 1 and 2, is that correct?
A That's correct.
Q Okay.
A The first two years of -- the first two years for Consolidated as an attacher are fixed at $5 million.
Q Okay. And is that because Eversource and Consolidated reached an agreement on that amount?
A Yes.
Q Okay. And, so, even though Eversource has updated Exhibit 8 by filing Exhibit 70, to show the increase in revenues it expects to receive from third party attachers, other than Consolidated, it did not do the same thing for revenues it expects to receive from Consolidated?
A We did do the same exercise. We updated Exhibit 70 to reflect our expectation of revenues based on latest rates. Again, the actual rates would vary based on whatever is in effect at the time. But, for CCI, the amount is fixed at the

negotiated level.
Q Okay. In light of the increase in pole attachment rates charged to other attachers, as reflected in the updated figures in Exhibit 8 **[**70**?]**, did Eversource consider going back to Consolidated to renegotiate the pole revenues at levels that would be commensurate with the rates that Eversource is charging other pole attachers?
A The agreement that we have with Consolidated has not changed. You know, we had originally hoped that this proceeding would reach resolution earlier than it has. But we have not renegotiated the terms of the agreement based on the passage of time. So, no.
Q Okay. So, while Eversource now expects to receive greater revenues and will be charging higher rates to third party attachers, other than Consolidated, if this transaction is approved, the amounts that Eversource will collect from Consolidated is just a fixed amount, is that correct?
A The amount that we intend to collect from Consolidated is a negotiated amount as part of

the Settlement Agreement that we reached with Consolidated. The pole attachment rates that we charge to the attachers is the result of a separate previously approved settlement agreement, and will continue at the calculation that was agreed to back in 2012, when that settlement was reached.

Q But it's a fixed amount that Eversource is going to collect from Consolidated in Years 1 and 2?

A It is.

Q Okay. Now, shifting gears a little bit, and staying with Exhibit 70 please, if you look at Bates Page 015, and let me know when you're there please.

A I believe that would be the supplemental testimony accompanying it? I'm sorry, I just don't have the Bates.

Q Okay. It's actually, I think, the very last page of the text of your testimony.

A Okay.

Q Let me just confirm that for you. Yes. It's the last page of the text. It would be Page 10, and it's Bates Page 015.

A I'm there. Thank you.

Q Okay. And, on Lines 6 and 7, we see a question, which asks whether "Eversource anticipates a complete prudency review by the Commission when it files for recovery of the costs associated with the transaction?" Correct?
A That's correct.
Q And, in response, on Lines 8 through 9, you say "Yes. The Company does not equate approval of the proposed transaction with a determination of prudency for the associated cost recovery." Did I read that correctly?
A You did.
Q Okay. So, now, going down to Lines 13 through 17, your testimony states that "it is the Company's expectation that if the Commission approves the transaction, the approval would indicate the Commission's determination that the purchase price paid to CCI and allowed in rate base as part of the Commission's decision in this proceeding would not later be subject to a prudency review." Is that correct?
A That's correct.
Q So, is it your testimony that, if the Commission approves this transaction as filed, Eversource

expects that such approval will automatically allow Eversource to include the full purchase price for the acquired assets into rate base without a subsequent prudency review in Eversource's next rate case?

A Correct. There's two pieces of our answer. One, approving the transaction would approve with it the purchase price and the associated cost recovery. So, we have, in Exhibit 70, we've removed the tracked nature of our request for cost recovery of the capital. But, come time for our next rate-setting interval, we would expect that approval of the transaction would give us the Commission's nod that the acquisition of the poles, at the terms agreed to and presented throughout this proceeding, are acceptable to the Commission, which would include reflecting in rate base the purchase price of the acquisition.

It would not, though, lock the Commission's hands, or any other parties' hands, or relieve us of our burden and requirement to present documentation supporting any investments made thereafter. So, pole replacement activity, any additions of the pole infrastructure, after acquisition, we certainly would expect to be subject to a full prudence review, just like any other, you know, ongoing investment activity that we make.

Q So, with respect to pole attachment rates, is it Eversource's position that, if the Commission approves this transaction as filed, that the purchase price of the transferred poles would be used in setting future pole attachment rates, even though the purchase price is above Consolidated's net book value of these pole assets, on the data that Consolidated provided to us in response to a discovery request?

A Well, there's a statement in the question that I don't agree with. The question that you're asking me, though, is "would the pole attachment be reflected in the purchase price?" And it would, to the extent the pole attachment formula that's used, the rate formula that's used, incorporates the accounts to which the purchase is reflected.

Q Okay. But, just to follow along, that purchase price is above the net book value that both Mr. Eckberg and Ms. Kravtin have calculated for

Consolidated in this docket, correct?
A Correct.
Q Okay. Shifting gears again please. Could you please refer to what's been marked for identification as Exhibit 73. And these are -- this was just received by me yesterday. And it appears to be answers to NECTA's last set of data requests, which were propounded on the information that you filed, or that Eversource filed, subsequent to the last hearing. Do you see Exhibit 73?
A I'm there.
Q Okay. If you turn to Bates Page 005 of Exhibit 73, there you will see a question that asks you to refer to the "space factor" on a document that was provided to you, where the question asked you to confirm that "inspection reports provided in response to Staff Question 3-005b provide data on pole height for inspected poles that show an average pole height greater than 37.5 feet for inspected poles." Do you see that question? It's just asking for confirmation.
A I do see the question. Question g., with five parts, I believe is the question that you're

referencing?

Q Right. And it's the last question, Number 5, that it's asking for confirmation, as to whether or not the "inspection reports provided in response to Staff Data Request 3-005b provide data on pole height for inspected holes that show an average pole height greater than 37.5 feet for inspected poles"? Just asking you to confirm or to, if you disagree to explain why. And then, the response, if you could focus on Bates Page 008, your response was "Pole inspection reports should not be used to calculate an average pole height." Do you see that?

A Yes, I do.

Q Okay. What information does Eversource believe should be used to calculate an average pole height?

A As we explain in Part 1 of that response, the space factor is calculated using 37 and a half feet for a pole height, which is a figure that was agreed upon in that 2012 pole attachment rate settlement agreement that I referenced earlier today. And we also note that that figure is the same average that was created and used by the FCC in its Telecom rate formulas.

Q Thank you, Mr. Horton. I understand that you've indicated that that number, 37.5, is a number that's used for pole attachment rate purposes. But my question is a little different.

My question is, what information does Eversource maintain on its books and in its records to document the actual pole height of the poles that it has installed?

A I would have to take that back. I'm not -- I'm not familiar offhand with the depths of records that we maintain in that regard.

Q Were you familiar with the Excel spreadsheet that was provided in response to that Staff record request?

A I reviewed it in response, or in responding to the question. But it's not something that I'm intimately familiar with.

Q So, would you agree that pole height appears on that document?

A Yes, per my recollection.

Q Okay. And who inserted that pole height data into that spreadsheet?

A Again, I'm not certain where the data comes from

or who maintains it at the Company.
Q But it is Company data, correct?
A That's my understanding, yes.
MS. GEIGER: Okay. Thank you. I have no further questions.
CHAIRMAN GOLDNER: Okay. Thank you. We'll move to OCA, and I'll recognize Mr. Kreis.
MR. KREIS: Thank you, Mr. Chairman. I just have a few questions for Mr. Horton.
BY MR. KREIS:
Q And they relate to Exhibit 70. Excuse me, I think I misspoke. Yes. I really meant "Exhibit 71". I apologize, Mr. Horton. Do you have that exhibit in front of you? Number 71?
A I apologize, my filing system is failing me here.
Q Happens to me all the time.
A You would think, with three binders -- ah. Yes, I have it.
Q Thank you. And you will recall that, in Exhibit 71, you are responding to a request to "provide cash flow analysis or modeling that your Company performed relating to the proposed transaction", because those subjects came up at the last hearing?

A Yes. But just a technicality maybe. We produced this analysis in response to the question that was asked at the hearing.

Q In other words, not as part of your own analysis, either leading up to the transaction or to the March 15th hearing?

A Correct.

Q Understood. Looking at the first page of that exhibit, the last paragraph on that page, which jumps briefly over to the next page, talks about the net present value of the transaction. And one, two, three, four lines up from the bottom of that page, there's a sentence that reads "However, the NPV", which I assume means "net present value", "would continue to be negative overall under a variety of scenarios, given the significant lag on recovery of the Company's initial investments." Do you see where it says that?

A I do.

Q Could you talk a little bit about whether or what scenarios would cause the net present value to become positive?

A I don't believe any scenario that we would have run or could run would result in a positive net present value. A scenario that would cause a net present value to become positive would be if the revenues from the attachers, the incremental revenues that we would collect going forward, as the sole owner, exceeded our expenses to a level that isn't forecasted. Then, I think -- so, I'll leave it at that.

Q Your discussion of net present value assumes, I assume, the changes to your proposal that you made prior to the last hearing in March, yes?

A Correct.

Q Would the net present value of the transaction have been any different had you moved forward with the transaction as it was originally proposed?

A I think, at best, the net present value as we would have -- the net present value, as we would have originally proposed, would have approached zero. I don't know that it would have become positive.

As we had originally proposed, we were to offset, and still it, it's our proposal to offset any request for incremental cost recovery by the revenues that we receive, those incremental revenues from attachers.

So, under the original proposal, at best, we would be recovering our revenue requirement, which would mean our net present value would be zero.

Q Do you have an opinion about what the net present value of the transaction would be if the purchase price were computed as what I've seen referred to as the "net book value", or I believe what I've heard Ms. Kravtin refer to as the "imputed regulatory value" of the poles?

A I think we would get back into a little bit of a circular logic in that regard, in that, if we were to -- if Eversource were to pay the agreed upon purchase price to CCI, but only have recognition of a lesser amount, the net present value to Eversource is still negative, and could only go down.

On the other hand, if we were to agree to a lower purchase price with CCI, which is counter to what's in the Agreement, well, that would then become a question as to whether or not CCI would move forward with the transaction.

Q Understood. But, assuming you could somehow magically cause CCI to agree to pay the so-called "imputed regulatory value" or the "net book value", then would the transaction have acquired a positive net present value from the perspective of Eversource?

A It still wouldn't be positive, it would be less negative. Because we're still expending capital dollars to purchase assets, for which we're going to incur depreciation, property tax expense, and carrying charges, and not get recovery in rates until some future point, and, even at that point, be reflected based on a lag.

MR. KREIS: Thank you. Those are all the questions I have for Mr. Horton, Mr. Chairman.

CHAIRMAN GOLDNER: Thank you. We'll move to the Department of Energy, and I'll recognize Mr. Wiesner.

MR. WIESNER: Thank you, Mr. Chairman.

BY MR. WIESNER:

Q So, Mr. Horton, I wanted to ask you a few questions about Exhibit 68. This is the record request response that shows vegetation management expense amounts that were billed or could have been billed by Eversource to Consolidated, and the amounts paid and unpaid by Consolidated from January 2018 through January 2022.

A Yes. I'm there.

Q Okay. Now, it appears that, for 2019, the unpaid amount is "$6,912,345", and, for 2020, the unpaid amount is "$7,834,412". Is that correct?

A That's what's listed here, yes.

Q And those two amounts added together total $14,746,757. Is that correct?

A Subject to check, yes.

Q And that sum is different from the Settlement amount that's set forth in Section 2.2 of the Settlement and Pole Asset Purchase Agreement that's been marked "Exhibit 3". Would you agree?

A Correct.

Q And, because that Settlement amount is still under review as confidential information, I won't say the number out loud. But, assuming that the Settlement amount is less than the total amount owed, in excess of 14.7 million, would the Company intend to seek recovery of that difference from its customers, through the PPAM or some other mechanism?

A No. We, and through the course of the discovery and the proceeding, acknowledge that there is a difference. Our request is that we would get recovery, so the -- we have reached an agreement with Consolidated that had that agreed to number. We, of course, then have continued to maintain our system and trim the vegetation. The Agreement, from when we had reached the agreement in principle with Consolidated, when we solidified that with an agreement that was signed, there was an additional amount of expense that was incurred, that we are not seeking recovery of from customers for that time period.

We are requesting recovery for the period after we had reached agreement. But that delta, if this transaction is approved, is an additional cost that, you know, Eversource shareholders, essentially, are paying to consummate the transaction.

Q Thank you. So, the Company then, I think it's fair to say, and I believe you will confirm, that the Company will seek recovery of the approximately $8.3 million for 2021, and the additional accrued but unpaid amounts for the current year, through the date of the closing of the proposed transaction, if it occurs. Is that -- is that fair so say?

A That's our proposal, yes.

Q And, separately, with respect to the storm-related vegetation management expenses, and I see on Bates Page 002 of the exhibit that this amount totals "$586,933". Are those costs also covered by the Settlement Agreement amount, for example, the 2020 costs?

A I don't believe they are.

Q So, what amount of those costs would the Company intend to include as incremental storm-related vegetation management expenses in a future storm cost recovery proceeding?

A I apologize, but I would like, if it's possible, to consult with my legal counsel and provide a response later this morning. I don't know what the best and most efficient way is, I just don't want to misspeak on that important issue.

Perhaps, if we take a break, I can just make a quick phone call, and then come back on. And I'm sorry for -- or, a record request, whatever is, you know, --

CHAIRMAN GOLDNER: No, we can take a pause later and come back to it. That would be fine.

MR. WIESNER: Yes, I think that's acceptable to us.

BY MR. WIESNER:

Q And, just to confirm, is it possible that there will be additional expenses incurred in that storm-related cost category in the current year, before the date of the proposed pole acquisition closing, again, if it occurs?

A Yes.

Q And I think I know the answer, but could the Company provide an estimate of what any such additional amount for 2022 might be?

A I certainly could get the estimate, to the extent there is any, of what has occurred. But, beyond that, no.

Q Thank you. And, now, I want to turn to Exhibit 69. This is the record request from the prior hearing, the response to the record request, regarding disputes over vegetation management expenses between Eversource's affiliates and telephone company joint pole owners in other states. And just let me know when you have that in front of you.

A I do have that. We also had provided a supplement to that, which, and, again, I apologize, my print doesn't at all times have the exhibit number, but there was a supplement that was filed. I just don't know which exhibit number that would be.

MS. RALSTON: It was filed under the same exhibit number, just as a supplemental version.

WITNESS HORTON: Thank you.

MS. RALSTON: That supplemental version was the one with the confidential information, if that's helpful.

MR. WIESNER: Okay. Okay, thank you.

BY MR. WIESNER:

Q So, the response refers to the settlement that was reached in Massachusetts with Verizon. And it states that "the DPU allowed the Company's affiliate to recover from its ratepayers the difference between the amount incurred for vegetation management and the amount that had

been reimbursed by Verizon." Is that right?
A That's right.
Q And was that amount based on storm-related vegetation management costs or did it also include regular, ongoing annual vegetation management expenses?
A That was related to storm-related vegetation management expenses.
Q Only storm-related. And can you provide some more detail on the amount that was recovered from Massachusetts ratepayers and the resulting rate impacts in that case?

WITNESS HORTON: And, Ms. Ralston, do you recall if any of that's confidential?

MS. RALSTON: It is not. And it's available in the supplemental response.

WITNESS HORTON: Oh. Thank you.

MS. RALSTON: On Page 3. Not the rate impacts, but the amount.

MR. WIESNER: Okay. I see that. Thank you.

BY MR. WIESNER:
Q And I want to turn to the Connecticut settlements, with Southern New England Telephone

and Frontier, a similar question. Did the Connecticut PURA permit recovery from Connecticut ratepayers of the difference between what the Company -- the Connecticut company had incurred and what had been reimbursed by the telephone utilities?

A So, the typical structure is that, yes, as PURA reviews the storm costs, the amount is recoverable -- or, the amount deemed recoverable is net of amounts reimbursed by the telecommunication company as relates to this specific settlement agreement. I don't believe that has gone through, you know, the storm prudency review process at PURA for those amounts that have been settled.

Q But is it the Company's -- I should say CL&P's intent to recover the difference?

A Yes.

Q Through the storm recovery mechanism?

A Yes.

Q Okay. Thank you. Now, I want to look briefly at Exhibit 73. This is the Company's response to data requests on Exhibit 68. And, in particular, I have a question on Bates Page 003 of that

Exhibit 73, when you get there.
A I'm sorry, which Bates page did you say?
Q Bates Page 003 of the Exhibit 73.
A Okay. I'm there.
Q And, in Part b. of your response to NECTA's data request, there's a reference to a "Depreciation rate of 3.19 percent" that was used for "Account 364" in the "Company's 2020 FERC Form 1". Is that correct?
A Yes.
Q And was that 3.19 percent depreciation rate the rate that was approved by the PUC and in effect during 2020?
A I would have to confirm that as well.
Q Okay. Thank you. I'm sorry. I guess we can confirm that as well after the break.
And where I was going with this is that the applicable depreciation rate was updated, was it not, based on the depreciation study that was reviewed and approved by the PUC in the Company's most recent base distribution rate case, the famous Docket DE 19-057?
A That's correct.
Q And that updated depreciation rate I believe is

"3.59 percent", would you agree with that?
A That's what I would need to confirm.
Q And the updated depreciation rate, subject to your confirmation, from the rate case, did not take effect until January 2021?
A Correct.
Q Per the PUC's order?
A That's correct.
Q So, the Account 364 depreciation rate of 3.59 percent only become effective on January 1st of that year, 2021, is that correct?
A Well, I think, and again, I would like to confirm exactly what's listed on that referenced FERC page, but the depreciation rate would have gone into rates effective on 01-01-21, but, then, through application of the temporary rate process, and this would also be something I'll just confirm, that that depreciation rate would, in theory, be and expect to be in effect back to the temporary rates, when we conduct the reconciliation for temp. rates.
Q And do you recall what the date of the temporary rates would be?
A I believe that was June 1st of -- June 1st of

2019, either June 1st or July 1st of 2019.

MR. WIESNER: Okay. Thank you.

Thank you. I have no further questions for Mr. Horton at this time, subject to confirmation of the points that we discussed earlier.

CHAIRMAN GOLDNER: So, maybe what I would suggest is we can go through the Commissioner questions, and then take a break. Let Mr. Horton check on the data, and then we'll go to redirect after that. If that's okay with everyone?

[Multiple indications in the affirmative.]

CHAIRMAN GOLDNER: Okay. Okay, very good. We'll move to Commissioner questions. I'll recognize Commissioner Simpson.

CMSR. SIMPSON: Thank you, Mr. Chairman.

BY CMSR. SIMPSON:

Q So, Mr. Horton, I'd like to ask you some questions about Exhibit 70. Looking at Bates Page 003, let me know when you're there.

A I'm there.

Q Can you identify what costs you would defer until the next rate case, and which costs are part of the proposed PPAM?

A On this exhibit, all of the costs on Line 36, "Total", are costs that are included within the PPAM. We wouldn't be, I want to careful on what "defer to the next rate case" means, we are, in those years on the version that I'm looking at, there's light blue shaded lines reflecting changes from the prior filing. And, at the top, on Lines 18 and 19, and then on Line 32, those lines reflect the return on rate base, depreciation expense, and property tax expense. So, those line items are lines that we will be, as the Company will be incurring expense in each given year, we will not be seeking recovery in the future of those specific expense amounts. We will be incurring them and carrying them. So, we will not be deferring those to a regulatory asset and seeking future recovery.

What we will be doing is, in our next rate-setting interval, whenever that next rate case occurs, just like with all other capital, we would at that point in time be expecting to roll in the purchase price of the assets, if approved in this transaction, as well as incremental additional capital investments. So, it would be just like any asset that we invest in and be subject to regulatory lag.

So, we're not asking to defer and build a regulatory asset for those expenses that we're incurring. We'll actually have a bottom line, you know, P&L impact in those years.

Q So, looking specifically at Lines 20 and 21, "O&M expenses" for "pole transfer" and "inspection costs", are those within the costs that you would defer until the next rate case or would you be looking to recover those costs upon approval of the transaction?

A We would be seeking to recover those costs upon approval of the transaction.

Q And, if we move, also Exhibit 70, to Bates Page 013, with respect to vegetation management expenses, are you proposing to recover those costs before the next rate case through the PPAM?

A Yes, we are.

Q Okay. And, then, looking at Bates Page 012, you list "average rate base" -- "return on average rate base, depreciation expense and property tax expenses." And you're proposing to recover those costs in a future proceeding?

A Yes. Just to, you know, making sure that I'm clear on the distinction, that we're -- we're not asking to recover the costs incurred, say, in year one, in the future. We would only be asking, at whatever point in time we have a rate case, to roll in the cost of those additions into rate base, just like all other additions.

Essentially, what we're asking for is the PPAM to recover the incremental O&M expenses, which are on Lines 20 and 21, as well as vegetation management expenses that we reflected on Line 34, all offset by incremental revenues that we recover now as the sole owner. But leaving aside any capital-related cost recovery.

Q Okay. I'd like to compare Exhibit 70 to your previously filed version, which is marked as "Exhibit Number 7".

A Yes.

Q There were some changes here with respect to pole attachment revenues. And can you clarify why Line 26, those values have increased, compared to

Exhibit Number 7, marked as "Third Party excluding CCI" Pole Attachment Revenues?

A Yes. The -- you know what, as I was about to answer that question, I realize, so, the prior line of questions from Ms. Geiger, I was speaking about the Eversource pole attachment rate. The Eversource pole attachment rate is not influencing the "Third Party excluding CCI" rate on Line 26. I just want to make sure to get this right. I was just reviewing this response a moment before I came to the stand.

Q Take your time.

A Thank you.

(Short pause.)

BY THE WITNESS:

A Okay. Excuse me. So, going back, your question asked to explain why Line 26 changed in the Exhibit 70 versus Exhibit 7?

BY CMSR. SIMPSON:

Q Correct.

A Okay.

Q And my follow-up would be with respect to Line 27. So, if you're able to explain why those values have changed, with respect to Exhibit 70, that's what I'm looking to understand?

A Okay. Thank you. For Line 26 and 27, we updated for two things. On Line 26, we updated the latest estimate of the incremental revenues that Eversource would collect that would otherwise accrue to CCI in Years 1 and 2, and, in Year 3, which is our expectation of the timing at which we would consolidate rates, our intention is, upon approval of the transaction, that we would -- Eversource would continue to bill the jointly-owned rate calculated under the Eversource approved methodology today, as well as the rate that is billed by CCI today, and authorized under their agreement with their attachers, for the first two years, because of the natural timing through which the transaction would be reflected in the Eversource formulaic rate. And the Year 3, which is the year that the costs of the transaction would be reflected in the rate that we charge to our attachers under the formula, that's the point in time that we would expect to consolidate the rate.

So, we updated the -- we updated the expected revenues based on our latest understanding of revenues that would accrue to us that are currently billed by CCI, as well as updating for the most recent calculation of the pole attachment rate that's in effect. The actual revenues would be based on the pole attachment rate that's in effect in the future at that point in time.

And, on Line 27, labeled "CCI as attacher", it describes that Years 1 and 2 are fixed per the Agreement, and Year 3 is the number of attachments, which is based on an agreed to amount, times the then applicable attachment rate, which would be subject to the same, you know, caveat language that I just provided. It's we're providing the latest, but the actual amount billed would be based on the rates in effect at that time.

Q So, through discussions that Eversource has had with Consolidated, your current understanding of revenues associated with attachments has changed, and that's what this update is reflecting?

A Through the course of the proceeding, we've refined our estimates and improved upon those, and incorporated them into the analysis along the way.

Q Okay. Thank you. With respect to Line 32, relative to property tax, is the Company proposing to defer property tax costs until the next rate case or would you seek to recover costs associated with property taxes upon consummation of the transaction?

A Currently, we have, as a result of that infamous rate case, an agreement about how property taxes will be treated, actual property tax expense in a given year. And that reconciles the amount of actual property tax expense that's distribution-related in a given year, against the amount that's recovered through rates.

But, in recognizing the request, you know, here of the Commission, and the findings here of the Commission, to exclude this transaction from our request for capital-related recovery, we would -- we would have to essentially make an adjustment to that amount to exclude property tax expense attributable to this transaction from that reconciliation.

So, we haven't outlined the details of how that would be done here. But our approach to seeking cost recovery of the incremental property tax expense would be -- would have been to apply the average net plant times the average property tax mill rate, and seek recovery of that through the PPAM, which we would essentially have to conduct that calculation, then back it out of the RRA for property tax expenses.

Q Okay. Thank you. And then, with respect to depreciation, what is your proposal for handling depreciation? Is it to defer and be subject to regulatory lag until the next rate case? Or, would you be calculating depreciation upon consummation?

A Well, and again, I want to be clear, we will be incurring depreciation expense upon consummation of the transaction. And the same would be true of property tax expense, except that would be on a lag. And it would be true of the return on the investment. We will have, you know, carrying costs associated with that.

So, for each of those three categories, being the return, the depreciation expense, and the property tax expense, our proposal is we will not get recovery through rates for that expense, which will be incurred upon consummation of the transaction. We will not get recovery until we come in for our next rate case. But, at that point in time, it would only be for the going forward amount of those expenses. We will not be seeking recovery of prior amounts incurred and expensed.

Q Thank you. I just want to make sure it's clear.

A Absolutely. Thank you.

Q Can you explain how the historical depreciation rates are different for Eversource versus Consolidated? Can you explain how and why depreciation would be different?

A Yes. For the Eversource side, the depreciation rate can only be that which is approved by the PUC. We, in a rate case, conduct a depreciation study. It's one of the most exciting elements of a rate case. And it gets litigated and approved. And, from that point forward, we record the depreciation rate in accordance with the authorized rates. So, in that way, the depreciation expense reflects the recovery of investments made from our customers.

Whereas, on the CCI side, my

understanding is it's very different. They're not rate-regulated in that same manner. So, the depreciation expense that CCI records for their accounting purposes is not the result of a Commission-approved depreciation study. It does not reflect the recovery of investments in the same manner that the depreciation expense for a rate-regulated utility reflects return on -- excuse me -- recovery of investments that are made.

So, the factors and forces that are in effect for an unregulated entity are vastly different than for a rate-regulated utility company.

CMSR. SIMPSON: Okay. Thank you, Mr. Horton.

I don't have any more questions, Mr. Chairman, for this witness. Thank you.

WITNESS HORTON: Thank you.

CHAIRMAN GOLDNER: Thank you.

BY CHAIRMAN GOLDNER:

Q I'd like to start with looking at the ROI of this transaction from an Eversource shareholder perspective. And just clarifying a few simple points, we won't -- these are redacted numbers, so I won't use any numbers.

But, if we go to -- it's "Attachment RR-003-1", "Page 2 of 2", it's the cash flow statement.

A Yes.

Q So, from a shareholder perspective, they would pay the purchase price on Line 1, correct? You're just a pure shareholder, and you're looking to see what you get out of this deal?

A Correct.

Q Okay. And the expenses, and we can go to the prior page, if we want, but all those expenses are reimbursed by ratepayers, correct? Now, it's subject to regulatory lag, at least once the transaction hits the test year?

A Right. Some of the expenses would be, under our proposal, recovered on a more timely basis through the PPAM, while others would be subject to regulatory lag, correct.

Q Very good. So, the shareholder, from their point of view, they would receive the weighted average cost of capital times the rate base, so, whatever rate base goes on the book, times your weighted average cost of capital. So, from their perspective, if we are doing an NPV, we would say the shareholder pays that Line 1, and they return weighted average cost of capital times rate base, and then we would do the transaction, the ROI or NPV, based on those two numbers. Would it be as simple as that or is there more to it?

A Well, there is more to it, to the extent that, like I said, where, one of the questions from Mr. Kreis earlier, if we are -- if we were getting fully tracked cost recovery, the net present value would approach zero. Because, like you're saying, the shareholder would make an investment, and then get the return at their weighted average cost of capital. And, so, it would approach, you know, their hurdle rate, net present value zero.

However, in this transaction, with the -- certainly, with the adjusted proposal as it relates to capital, that can't be the case. There's going -- that the shareholder is going to make the investment, I don't like speaking in those terms, but, so, the Company is going to make the investment on the assets, and will not have corresponding revenues until some future point.

So, while that is the case, it's not possible to get back to a net present value of positive or even approaching zero, unless and until the revenues that come through rates are in excess of our expenses.

Q I think I see. And I'm just doing the simple calculation, ignoring time lag and so forth, just to sort of get a sense for what, you know, what, if I was a shareholder, you know, how would I view this transaction.

And, again, without using any numbers, but would you agree that, if we just simplified and we said it is a weighted average cost of capital times the rate base, compared to the purchase price, and forgot about all the comings and goings, I get a -- I get a payback period of something like eight years. Is that kind of a sensible calculation? Am I in the ballpark?

A I certainly don't want to question your math. I haven't done a payback analysis on it.

Q Okay. Just not drive the nail home too hard here, but, if I take -- if I take the number, again redacted, on, say, Year 3, and I multiply that times your weighted average cost of capital, I get a number, we can probably do that in our heads, and then I can divide that into the number on Line 1. Would you care to --

A That's the math that you did? Yes, that's --

Q You would agree with that? Okay. Okay. All right. So, I get a payback period of about eight, if I do the math that way. Okay. Very good.

Let's move on to the next question, which is, in the Company's next rate case, if I look at the -- if I look at Line 15 on that Page 1 of 2, I just want to verify what would go on the books for the next -- the next rate case. Would you put the Year 0, I won't use the number, but would you put the Year 0 amount on the books as the -- would that be the test year for the next rate case?

A No. The Year 0 amount would be the amount that we record on day one, after closing of the transaction, which would then be subject to depreciation expense. So, at the time of our next rate case, the amount that would be reflected in rate base for the purchase price would be the then current net present -- or, excuse me, net book value.

Q Okay. So, if Eversource were to file a rate case in 2023, and 2022 were the test year, in that case the amount, and let's say that that transaction closed on December 31st to keep it simple, in that case that Year 0 number would be the rate base in the test year for your next rate case, in that example, if that were to come to pass?

A Essentially, yes.

Q Okay. Okay. I used the end of the year, so we wouldn't have depreciation angles in there.

A Understood.

Q Okay. Okay, very good. So, I think I understand what you're putting on the books.

If you were to file in -- if you were to file with a 2023 test year, would, roughly speaking, the year 1 number be the one that would be on the books?

A It would, assuming at that point the additions are what we reflected. The Year 1 number reflects the purchase price, as well as an

estimate of the, you know, replacement activity after acquisition. So, yes.
Q Okay.
A Conceptually, it would be.
Q Okay. Very good. And you've tied your purchase price to the rate base. And we'll hear from Ms. Kravtin later about potentially disconnecting those two things. But that's what you've done for purposes of this analysis, is the purchase price equals the rate base that you would put on the books at the acquisition date, correct?
A Right. If I just take a step back, again, the transaction here is not about creating positive value for our shareholders. It's not. First of all, it's relatively small from what our shareholders will be interested in. But it's also -- it's not a profit driver, and that's what this was showing. That's why it was so easy to meet the concession at the last hearing on capital cost recovery.

I truly believe this is the right thing for our customers. It's the right thing to have -- we are in the pole ownership business, and it makes a lot of sense to have us in that seat.

So, from our perspective, though, of course, it doesn't make sense for us to pay more for an asset than it is that we would be putting on our books. Just like if we were to go and purchase these assets from a lot, and then endeavor to install them on our system. We would never engage in a transaction that we're going to pay more to the vendor selling us the poles than we're going to be allowed to get recovery of from our customers and through the PUC process.

So, that's really, from Eversource's perspective, a critical and fundamental component of the proposal. We're not buying a business, we're buying assets. And, so, for us, it's important that we get recognition of the purchase price that we pay for those assets, which is why we're reflecting the purchase price as the rate base that we acquire.

It's different than if we were buying a business, and it's different than if we were buying assets from a rate-regulated utility, for which the net present -- the net book value of those assets closely aligns with or theoretically aligns with the amount that customers are yet to pay for those assets.

Q Because I took from the last hearing that there were synergies in the transaction, vegetation management and so forth. And, so, I took those synergies to imply that there might be some goodwill in the transaction, a financial goodwill, meaning that there would be a difference between the price paid and rate base, based on synergies or benefits. But you would say that's not the case?

A No. We do see improvements. Again, you know, the reason that we're doing this is because we think it's the best thing for us as the system operator, and for our customers, to have us in the driver's seat on these investments, making the decisions about those investments. But we're not buying a business. So, there's not goodwill attributed to it. Thus, any savings that accrue, first of all, it is very difficult for us to quantify, because that was not the driver of a business case to move forward with this transaction. Plus, any savings that do materialize will be reflected in our rates, you know, at the same time as we're getting the costs recovered, because those efficiencies will streamline processes and improve our processes. And, to the extent there are cost savings, those would be reflected in our rates.

So, it's different, at least to me, it's different than a, you know, nonrate-regulated utility, who is making a business decision to purchase something, and has synergies that they can just, you know, roll into their business. This is, again, we're not buying a business, we're not buying a company; we're just buying assets. So, just like if we were to buy new poles, new assets, those poles and assets may result in less O&M, as an example, and that savings in O&M will be reflected in our costs at the same time we seek to get recovery of the additional investment.

Q Okay. Very good. I'd like to move to the "Vegetation Management", on Line 34. This is not redacted. So, it shows "8.2 million" on Line 34, Year 0. So, I just want to verify. In the testimony, I read it to mean that this is half the vegetation management costs for the whole pole, in a time period of 2021, plus January of 2022. Is that what your recollection is for the 8.2 million?

A Well, the 8.2 million stands for the portion of vegetation management conducted, it's actually only for 2021, that we would attribute to CCI. So, our proposal is that, going forward after the acquisition, Eversource will no longer be billing CCI for those, for the vegetation management expense that we currently do. So, for the going forward piece, we would seek to get recovery of that.

For the period from, essentially, January 1 of 2021 through the acquisition, we're proposing the same thing, to get recovery from our customers. We didn't expect this proceeding to take as long it has. So, we didn't anticipate that in the Agreement. And we're asking for recovery from our customers of that amount, if the transaction is approved.

Q If you could check, at the same time you check on Mr. Wiesner's, I have -- I'll look for it in parallel as well, but I believe you included January '22 in that 8.2 million number. There's something like 1.1 or 1.2 from January, the balance, 7 something, was 2021. If you could just -- I don't think it's a big deal, but if you could verify at the same time, that would be helpful.

A Certainly.

Q So, regardless of whether that's 7 million or 8 million, I guess what I don't understand is why isn't that Consolidated's responsibility? Why is that an Eversource ratepayer responsibility?

A Sure. I think, you know, and Consolidated can speak to their perspective on it, if I go back, again, the reason that we are here and making this proposal is because there are, aside from the fact that we are in the pole ownership and operation business, and we just think that's the right place for us to be, as opposed to other companies, there's longstanding disputes, not just with CCI here in New Hampshire, but with the joint owners in each of our other two states.

And, so -- and, so, in our view, this transaction is in the best interest of our customers, and the amounts that are incurred for vegetation management expense are a cost of the transaction and a cost of the ownership moving forward. Just like after the transaction is consummated, if it's approved, that will become a cost of Eversource's service, and the vegetation management expense would be appropriate for recovery from customers because it's not reflected in rates, we feel the same about the amount that's for the time lag that we've been litigating this proceeding.

Q Okay. Very good. I think I just have one more question.

And, so, I would guess that your ratepayers don't care about who owns the poles, they just, you know, want electricity and stuff. So, why would they, you know, want to pay more than they currently do for no additional benefit? So, there's this transaction going on, there's additional cost to the ratepayer, in the end, when you net everything out, there's additional cost. So, I'm kind of confused as to why the ratepayer would be supportive of this transaction?

A Certainly. Well, and it gets back to the policy position, and certainly ours, which the

Commission may or may not agree with, which is that our customers want Eversource owning and maintaining the poles. It's what we do every day and every night in order to keep the lights on. That is our top priority. And CCI's priorities are different.

So, as a customer, I would want to ensure that the electric utility is the entity that is responsible for the safe operation of the electric system, and that that is their top priority.

So, I would, although I am biased, I certainly would be more comfortable knowing that that is the paradigm for the service I'm being provided. Is that, whoever it is that's owning the poles, that that is their number one priority, is ensuring that those poles are safe, inspected on a timely schedule, and up to the latest standards.

And I would also just say, every dollar that our customers have to pay certainly is important. But, if you look at that exhibit that we were just referencing, Exhibit 70, save for the first year, that 8.2 million, you're looking at an estimate of less than $4 million in total across our system. And, so, the bill impacts for customers was small to begin with, and is even smaller as a result of that.

So, I don't know that a typical customer is going to know that this has happened, whether it be from a service provider perspective, and I am not -- we're not suggesting that there's going to be this major uptick in reliability or safety versus what would happen in the absence of the transaction. But the cost that customers are going to pay to consummate the transaction are commensurate with those benefits, meaning the costs are relatively small, and the benefits are relatively small, but real. And, in my mind, in the best interest of customers to have Eversource at the helm, with one throat to choke.

Q Okay. I like that. Yes. And that was kind of where I was going with the previous question on "synergy", but I do understand your argument on both sides.

CHAIRMAN GOLDNER: Excuse me, just real quick.

[Chairman Goldner conferring with Atty. Wind.]

BY CHAIRMAN GOLDNER:

Q And the final question is, and then we'll take a break, is do you have -- Ms. Kravtin is about to testify. Do you have an opinion on her analysis, and the difference between the number that you have for rate base and the number that she has for rate base, or Mr. Eckberg's number?

A Not other than what I had gone through at the prior hearing, and a little bit earlier today, which is that, I understand the drive and the push to look at the rate base that's being acquired, when we're talking about two rate-regulated entities. That's not what we're talking about here. And, so, it's important that any comparison is made on an apples-to-apples basis.

It's not true that the rate -- that the net book value of CCI reflects an amount that C&I customers have paid for those assets, like it would be if, say, these assets were on Eversource's books or we were buying the assets from another rate-regulated entity. And, so, I just continue to resist that comparison.

I take it back to, if we were purchasing these poles from brand new or used in a lot, the amount that we pay is the amount that we would expect to get recovery of, and we would never engage in a transaction to purchase assets for more than we would expect to get recovery of.

And, so, that is why our position is what it is.

CHAIRMAN GOLDNER: Okay. Thank you, Mr. Horton. So, let's -- let me ask you a question first. In order to answer Mr. Wiesner's questions and my question, how much time would you want?

WITNESS HORTON: Assuming I can get on the phone with the two people I need to, I don't need long. Fifteen minutes.

CHAIRMAN GOLDNER: Okay. Let's take --

CMSR. SIMPSON: Can I ask one follow-up question on that of Mr. Horton?

CHAIRMAN GOLDNER: Sure.

BY CMSR. SIMPSON:

Q I think I understand what you were just saying. But what about with respect to how the rate base value would change the attachment fees for non-rate regulated entities in the competitive market?

A Could you just elaborate on the question?

Q So, my understanding is that whatever value you book influences the attachment rate that competitive market players would be subject to. And, if we look at net book value versus your acquisition price, there's a premium then subsequently associated with the attachment rate. So, do you have any perspective on how that would influence the marketplace for these competitive services in the state?

A Well, I don't agree that there's a premium, *per se*, placed on the value. I think that's my main point. But, if you look at the rates that CCI charges, and, again, they're here, so they could speak to it better than I, there isn't a tie to the rates that they charge to their cost of service, like there is at the Eversource side of things, at least that's my understanding.

We, at Eversource, calculate our pole attachment rate based on our cost of service. It's a mini cost of service. So, it's based on our FERC Form 1. We go through an exercise that was agreed to by those competitive attachers, at least a subset of them back in 2012, as to how that rate will be calculated. And that is the rate that is calculated every year.

Whereas, on the CCI side, the rate that is in effect is the result of a contract that's in place, that is not updated annually based on their cost of service. Which is why it is not, in my mind, apt to try to compare the net book value, like it is in a rate-regulated entity.

So, when Eversource accepts the poles, assuming that the purchase price is approved, that would reflect -- the purchase price that we pay would reflect the value of those poles, and it would reflect then the cost of those poles that would naturally flow through the pole attachment rate formula.

And I think it's important to know, too, that any concession given on the pole attachment rate will affect other customers, because all it is, in the context of a distribution rate case, the pole attachment revenues that we collect from attachers is an offset to our cost of service.

So, from a total Eversource distribution perspective, the purchase price and the additions related to these poles will flow through our cost of service. And, to the extent that we do not reflect the cost of this transaction in the pole attachment rate, but we do in the distribution cost of service, then all other customers would pay more, all else equal.

But, again, that consolidation, that would have to happen in the future, and that would also be the subject of a PUC review, because we would be then, at that point, changing the pole attachment rate that CCI's contracts currently allow for CCI to charge.

CMSR. SIMPSON: Okay. Thank you, Mr. Horton. Thank you, Mr. Chairman.

CHAIRMAN GOLDNER: Okay. Sure. Let's come back at 20 till, and allow Mr. Horton some time to follow up on the questions. So, then, we'll finish up with Mr. Horton, any questions, and then we'll move to a redirect.

So, thank you. And off the record until 20 till.

(Recess taken at 10:24 a.m., and the hearing resumed at 10:44 a.m.)

CHAIRMAN GOLDNER: Okay. We'll go back on the record. And maybe begin with Mr. Wiesner's questions.

MR. WIESNER: Mr. Chairman, I think it would be most efficient for Mr. Horton to provide his further detailed information and confirmatory information through questions asked on redirect.

CHAIRMAN GOLDNER: Okay. Okay, very good. So, we can -- just a moment.

So, Mr. Wiesner, you want to move to redirect now, is that what you're suggesting?

(Atty. Wiesner indicating in the affirmative.)

CHAIRMAN GOLDNER: Okay. Ms. Ralston, would you like to begin?

MS. RALSTON: Sure. Thank you.

REDIRECT EXAMINATION

BY MS. RALSTON:

Q Mr. Horton, do you recall earlier this morning Mr. Wiesner asked you some questions about recovery of storm-related vegetation management expenses?

A Yes, I do.
Q And were you able to get that additional information during the break?
A Partially. I was able to confirm that the storm-related vegetation management expenses that would otherwise be charged to CCI would be sought by the Company for recovery going forward, upon consummation of the transaction. But the mechanism for recovery would not be through the PPAM. Those would simply be a cost of a storm reviewed by the PUC in future storm cost recovery proceedings.
I was also asked of an estimate for the amount in 2022, which I was not able to get my hands on during the break.
Q Thank you. And do you also recall some questions about Exhibit 73, specifically the depreciation rates that were updated during the last rate case?
A I do.
Q And were you able to get clarification on the appropriate depreciation rate and the timing?
A I was. So, the depreciation rate calculation that's referenced on that FERC Form 1 report is a

calculation that my understanding is conducted to divide the total actual depreciation expense in a given year by the end-of-year plant balance in that year. So, due to differences in timing, that is likely to not directly equal the authorized depreciation rate from the PUC's approved depreciation study.

Over time, I would expect those amounts to come closer. But, because of the way that we record depreciation and for timing differences, I'm not surprised that they're not exactly the same.

MS. RALSTON: Thank you. No further questions on redirect.

BY THE WITNESS:

A There was just one another question by the Commission to confirm amounts for the vegetation management. And, if you just give me one moment, because I thought I had found the source of the confusion.

Okay. So, the question was asking about the "8.2 million", which is the amount that Eversource has described as the amount in 2021 sought for recovery from CCI. So, that is the amount of maintenance trimming incurred in 2021 to be recovered from -- through the PPAM, if the transaction is approved, and that is in Exhibit 68.

But we also do, in that response, talk about the amount through January 31st of 2022, which would -- that was the most recent known amount at the time that we filed the response to that record request.

So, simply stated, the "8.2 million" does reflect the costs incurred in 2021 for which the Company would seek recovery of through the PPAM for 2021. The proposal -- our proposal is that actual amounts incurred would be recovered through the PPAM on a year lagged. So, once those amounts are known. So, we didn't include, in that first year, amounts that were incurred year-to-date in 2022, because of what I just said. But we would be seeking recovery of those amounts in a future proposal, you know, in a future PPAM reconciliation.

So, that, I imagine, is the source of the confusion as we talked about January of 2022 amounts.

CHAIRMAN GOLDNER: Yes. No, thank you. That's very clear. Now, I can see on Bates Page 001 what you're referring to. So, thank you.

Okay. Thank you. Mr. Wiesner, does that accomplish --

(Atty Wiesner indicating in the affirmative.)

CHAIRMAN GOLDNER: Anything else on redirect, Ms. Ralston or Mr. McHugh?

MS. RALSTON: Nothing else.

MR. McHUGH: Nothing, Mr. Chairman.

WITNESS HORTON: Thank you.

CHAIRMAN GOLDNER: Okay. We'll move to Ms. Kravtin. Ms. Kravtin, just like the last panel, I'll remind you that you're still under oath.

(Whereupon ***Patricia D. Kravtin*** *was recalled to the stand, having been previously sworn in during the March 15, 2022 hearing in this docket.)*

CHAIRMAN GOLDNER: Out of an abundance of caution, do either the OCA or DOE have any questions for this witness's written statement marked as "Exhibit 72"?

MR. KREIS: I do not, Mr. Chairman.

MR. WIESNER: We do not either.

CHAIRMAN GOLDNER: Thank you. So, we'll move to the Joint Petitioners. And I'll recognize Ms. Ralston.

MS. RALSTON: Thank you. Good morning, Ms. Kravtin.

WITNESS KRAVTIN: Good morning.

MS. RALSTON: I just have a few questions for you.

PATRICIA D. KRAVTIN, Previously sworn.

CROSS-EXAMINATION *(resumed)*

BY MS. RALSTON:

Q Can you please refer to Exhibit 72, which is your statement from the March 15th hearing, filed in response to a record request?

A Yes, I have that.

Q Great. And, on Page 2, you state that "corporate interests do not necessarily align with the public interest." Is that correct?

A Page 2 of the document?

Q I believe so, yes.

A I'm looking at Exhibit 72. I just wonder if you

have a different copy of that.
Q I apologize. It's at the bottom of Page 1, actually.
A Okay.
Q I apologize.
A All right. Thank you for that.
Q Yes.
A For that clarification.
Q It's in the last full paragraph. Do you see it?
A Yes. Now that you've directed me to the correct page, I do see it. Thank you.
Q Okay. All right, great. Thank you. And is your reference to "the public interest" meant to refer to "customer interest"?
A Well, certainly, customers would be part of the public interest. I'm referring more generally to a "public interest" standard, under which a transaction would be evaluated, to the extent it provided benefits to the greater public good. And that would include a wide variety of stakeholders, of which customers of the electric utility would be one, but also customers of the broadband providers, whose pole attachment rates would be impacted by this, and that would

ultimately affect their customers as well, as well as the values to consumers and the economy generally from broadband, and other impacts of this transaction.

So, it's a more general standard of "public interest", that would certainly include customers.

Q Thank you. And is it your testimony that NECTA's corporate interests are fully aligned with the Eversource customer interests in this proceeding?

A It is not -- it is not my testimony, nor do I opine on that alignment. My testimony really goes, in particular, to the impact of this transaction on pole attachers, and what I believe adjustments would need to be made so that there is no harm onto that particular class of customers. But I didn't testify as to alignment of those two different stakeholders.

Q Thank you. Can I now refer you to Exhibit 11, at Bates 022? This is Mr. Horton's testimony filed on February 25th.

A Okay. Let me open that up. Exhibit 11?

Q Yes. Exhibit 11, at Bates 022.

A Okay. I've got that page open.

Q Okay. And starting at Line 1, do you see where Mr. Horton states that "It is important to note that any decrease to the pole attachment rates charged to NECTA members would result in a cost shift and associated increase in rates to all other customers"?

A Yes, I see that.

Q And have you read this testimony before today?

A I have.

Q And is it your testimony that Eversource customers should be picking up additional costs to lower costs for NECTA members in this proceeding?

A Well, I would answer -- I would answer that in this way, because my testimony applies, as we talked earlier, a "public interest" standard. And, from a "public interest" standard, I believe that the public interest is better off with pole attachment rates that are set at just and reasonable levels, that promote efficient and equitable broadband input prices, and that all the public interest, including -- including Eversource customers, who are also purchasers of broadband, and also citizens of the State of New

Hampshire, and benefit from economic growth and vitality, would benefit.

I would also comment that the impact of any reduction in pole attachment revenues from applying my just and reasonable values is very small. And, similarly, to what Mr. Horton testified this morning, that his position is that the excess over a imputed regulatory net book value that Eversource has agreed to pay CCI, he testified that would have a small impact on Eversource's customers and, so, greater public interest would prevail. I'm making that same argument. That, when you look at the public interest, you look at the totality of the impact on the transaction. And whatever very small impact of just and reasonable pole rates would have on customers in their retail rates, in my opinion, would be more than offset by the benefits of efficient and equitable input prices for broadband. And that's why pole rates are regulated, because of that "public interest" consideration.

Q So, is it your testimony that the interest of Eversource customers are served where the revenues collected from pole attachers is reduced?

A It is my testimony that Eversource customers, as members of the public, are benefited by just and reasonable pole attachment rates. It's not about whether they're going up or down. It's that I've made calculations pursuant to pole regulation guidelines and rules for just and reasonable rates.

In this case, I believe just and reasonable rates are lower than those that result from incorporating a purchase price that would be in excess of an imputed regulatory net book value.

MS. RALSTON: Okay. Thank you. No further questions for Ms. Kravtin.

CHAIRMAN GOLDNER: Okay. Mr. McHugh.

MR. McHUGH: Good morning, Ms. Kravtin.

WITNESS KRAVTIN: Good morning.

BY MR. McHUGH:

Q Do you have, or can you put in front of you please, Exhibit 39, which is your prefiled testimony? And I'm specifically looking at Table 2, on Page 13 of the testimony, which is

Bates 014. This is your Prefiled Direct Testimony filed on January 31, 2022.
A Yes. I have that open now.
Q You understand Consolidated Communication closed on the transaction with FairPoint on July 3 of 2017?
A I don't know the exact date, but I would accept that subject to check.
Q All right. And, in the table, the ARMIS data you used is effective through 2020, right? So, we're talking about two and a half years, does that sound right?
A Well, I don't know what you mean by "effective"? You mean it's dated? Or are you asking me to say that the data provided by the Petitioners is for --
Q The data provided was through --
A -- would be for the period 2020?
Q Right. Is that right?
A That is my understanding of the data, yes.
Q Okay. Do you have a calculator with you by chance, Ms. Kravtin?
A I do. I'll have to get one. I don't have one on my desk at the moment.

Q All right. Let me go about it this way.
A Okay.
Q So, the source/notes, in that column on Table 2, "ROW 101", that comes from that CCI version of the ARMIS filing through fiscal year 2020, filed on December 6, 2021, right?
A Well, all the data in this table that I reference by "ROW" is the data that Petitioners provided pursuant to Order Number 26,534, and then the pole numbers from the Joint Petition.
Q What does "ROW 101" --
A So, perhaps we can shortcut --
Q What's does "ROW 101" mean?
A "ROW 101" would be referring to the "Gross Pole Investment". That's the structure of the ARMIS Report, that the data was provided in that format per the question.
Q All right. And "ROW 201" is the "Accumulated Depreciation", is that correct?
A Yes.
Q So, if I take $35,765,000, I divide it by 2.5, that's $14,300,000 of depreciation. Is that not an accelerated depreciation?
A I'm not understanding your question.

Q What's the depreciation rate that Consolidated used for this data?

A Well, the depreciation rate, again, I didn't directly use it in this calculation, but we'd have to go back to the data provided pursuant to the Order Number 26,534, and we would find that rate. My recollection, it was 5.8 percent, but that's not shown on this. Let me explain that accumulated depreciation is --

Q That's not my question, Ms. Kravtin.

A -- it's a reserve account --

MR. McHUGH: Mr. Chairman, I would ask her to answer the question.

BY MR. McHUGH:

Q Do you know the rate of depreciation used in that depreciation -- accumulated depreciation number or not?

A I just -- I just testified, it's identified on the data provided to Order Number 26,534. We could open up that exhibit. I don't have the exact exhibit number. I do believe it was an exhibit. So, we could both open up that exhibit. Perhaps, again, I can refer you to that. I don't know the exhibit offhand.

Q No, I can represent to you --

A But it's identified.

Q It is. But it's a schedule that comes from the FCC, the ARMIS Report. And, on Line 301, it says "Depreciation Rate - Poles 5.8". That would be a Commission-approved depreciation rate, is that not correct?

A Well, that was represented of a regulatory depreciation rate. Correct. That's exactly sort of the essence of my testimony. That these assets that are being transferred didn't come out of the sky. Their origin, as regulatory assets, they were subject to regulatory approved depreciation rates. And I believe that the last rate that applied on a regulatory basis was 5.8 percent. And, so, that would have been the number that went into the "accumulated depreciation" line.

But there are other aspects that go into that accumulated depreciation reserve calculation. And it's the total sum of that accumulated depreciation that is applied as a reduction to the rate base. So, that's what this table is showing.

Q Did you review Mr. Shultz's testimony?
A I just -- I just want to finish to clarify the record. The depreciation rate that we're talking about is one component of how the accumulated depreciation reserve account accumulates over time.
Q If you're a rate-regulated utility, right?
A Well, that is correct. And, again, for the reasons I set forth in my testimony, I believe it's the imputed regulatory values that are appropriate and necessary to calculate a just and reasonable pole attachment rate, as those are rate-regulated -- rate-regulated services pursuant to the New Hampshire law.
Q Did you attend the hearing on March 15th?
A Yes, I did.
Q Did you review Mr. Shultz's testimony at that hearing that's in the transcript?
A Yes.
Q Do you disagree when he said that the value roll-forward in the filing of December 6, 2021 was based on GAAP?
A It would be helpful if we went to that page of the transcript, so I had the entire context of

that discussion.
Q Well, no, not necessary.
A If we're going to have a line of questions on it, could I ask that courtesy please?
Q No. I'm moving on. I have my answer. So, your --
A Well, I don't believe I did. I don't believe I had the opportunity to answer.
Q You don't recall without referring to the transcript, is that what -- is that fair?
A Well, I couldn't recall the exact language of the entire transcript.
Q Oh. Okay.
A Nor could I see it in the context it was asked. I'm certainly prepared to answer questions that you may have of me about GAAP versus regulatory accounting, which I do address in my testimony.
And to clarify, my regulatory imputed net book value is not based on the GAAP accounting that Consolidated has the opportunity to use. But, on the reasons why we need to look at an imputed regulatory value, precisely because Time -- no, excuse me, Consolidated has not been subject to regulatory accounting. That's why

it's necessary to impute it.

Q The data on Table 2 of your testimony comes directly from the December 6, 2021 filing, does it not? Number for number?

A Again, I know that data as the Order Number 26,534 data that was provided in response to the Motion to Compel. If you are referring -- I don't recall the exact date of that, but, if that is what you're referring to, then, yes, as I identify on this table, with the exception, I believe, of the "Transferred Equivalent Sole Poles" which I cite to the Joint Petition.

MR. McHUGH: Very good. Thank you. I have no further questions.

CHAIRMAN GOLDNER: Thank you. We'll move to Commissioner questions, and then to the NECTA redirect.

CMSR. SIMPSON: Good morning, Ms. Kravtin.

WITNESS KRAVTIN: Good morning.

BY CMSR. SIMPSON:

Q I'd like to ask you about a statement in Exhibit 39, your prefiled direct testimony, on Page 8, Line 14. You provide that the

"Eversource 2021 pole rate is overstated by approximately $2.00." Did I read that correctly?
A Yes. Those are based on my calculations. That's correct.
Q Can you please explain that for me?
A Yes, I can. So, when I evaluated their pole attachment rates, I -- like in any evaluation of a formulaic rate, you look at the inputs that are used, and you see that -- where those inputs may vary from values that would not be considered economically appropriate or just and reasonable.
In the course of that review, I identified a number of inputs that I felt did not meet that criteria. And those are identified in Footnote 3.
I identified an over statement of the rate of return, they had used an input somewhat higher than what I understood to be the current state authorized return.
I found that they had understated the pole height, by using the FCC's rebuttable presumptive value of 37 and a half feet, even though I had seen actual data, of their company data, indicating higher pole heights, which

translate into what should have been a lower usable space allocator. So, that was another input I identified that led to an unjust and reasonable *[sic]* rate.

And, then, finally, I identified where, in their application of the FCC telecom formula, they weren't using the most current expression of those rules, which related again to certain cost factors that had been updated as of 2015.

So, I identified, as in Footnote 3, three areas that their inputs did not match to those that I felt to be appropriate, just and reasonable.

Q Thank you. Moving on to Page 20, Line 20.

A Can you repeat that page please?

Q Page 20, in your "Recommendations" section. Bates 021, labeled as "Page 20".

A Yes. Could I, though, I do just want to make one quick clarification to what you just asked me.

Q Please.

A As we just discussed, I did address my finding on the Eversource rate. But, in the context of putting in perspective why an overstatement of the net book value, relative to an imputed regulatory value, in pole rates would further exacerbate what I found.

But I do want to clarify that my testimony, as far as rate adjustments go, are directed to the rates that Eversource would charge for the Consolidated poles that they would be billing for going forward. Because those are the rates that I felt had not been subject to a regulatory formula, and that would be subject to this proceeding's findings as part of the transaction.

So, I just want to clarify, that I did address the Eversource rates, but that my testimony actually proposed and recommended an immediate reduction following the transfer of the unregulated Consolidated poles.

Q Okay.

A Thank you.

Q Thank you.

A Okay. Page 20?

Q Yes. Labeled as "Page 20", Bates Page 021. You testify with respect to pole attachment rates and acquisition premiums. In your experience in other jurisdictions, with respect to acquisition premiums, what have you seen other commissions do, in terms of denying or permitting the recovery of attachment fees based on acquisition premiums?

A Well, that's -- I understand the question, but I have to say this situation, I can't say that I've come across one similar to this precisely, because most of the acquisitions, well, that are similar to this, where an electric utility is buying telephone pole assets jointly owned, the ones I'm most familiar with, those telephone companies had been subject to pole regulation. And, so, we didn't quite have this situation, where I observed a premium -- a market agreed upon purchase price that was in excess of what would have been considered a regulatory net book value.

And, so, that's why, in this proceeding, because we're faced with this situation, where Eversource has not based its agreed upon purchase price on what would have been a regulatory imputed net book value for the pole assets it's acquiring, and why that adjustment is necessary. Because, in the other instances I'm familiar with, that the net book value was available on a regulatory -- a regulated basis.

My experience with acquisition premiums generally, in the context where a utility might pay a price in excess of what a net book value calculation would be, is as I've explained in my testimony, to treat that as goodwill. So, that is my experience generally with acquisitions by utilities and other corporations that are in excess of what a net book value calculation would be, for various reasons.

And I think Mr. Horton testified at length this morning about the goals and reasons why Eversource believes it needs to acquire these pole assets, to, you know, for purposes of its electric service. But, in doing so, as Mr. Eckberg and I have found, they have agreed to a purchase price in excess of what a regulatory imputed value would be.

Q Okay. Thank you, Ms. Horton -- I mean, excuse me, thank you, Ms. Kravtin. Getting my witness names confused.

A That's okay.

Q I'd like to move on to Exhibit 72 please. So, first, I'd like to focus on accelerated depreciation by Consolidated, and I'm hoping you might be able to clarify a few points for me.
A Yes. And, oh, if I could, I'm sorry, I did want to add one more comment on your last question.
Q Please.
A Because, while I was not a participant in a acquisition proceeding in Vermont, I did reference a proceeding in Vermont that had some relevancy, in terms of an acquisition. But, again, that example was where a regulatory -- again, consistent with my experience, a regulatory net book value, to my understanding, was relied on.

Okay. So, I just want to say I had given an example in response to Petitioners' questions, but that went to an example of where a regulatory net book value was referenced.

I understand your question was about where a utility paid in excess of that. But I did want to at least try to clarify the record of an example that might be helpful to the Commission.

Q Thank you. So, in your experience, the question at hand for us is somewhat unique?

A Yes. In terms of your electric utility is acquiring telephone pole assets, where it's a joint owner, but they're not coming from a -- it's a company that the pole assets have been historically regulated. They were placed, you know, Verizon, FairPoint, then passed on to Consolidated. So, they have a regulatory history, subject to regulatory accounting principles. But, at this time of acquisition, it's coming from a non -- a lightly regulated entity, so that you don't have that continuity.

But, again, my testimony, for the reasons I explained, to get to a just and reasonable pole attachment rate, you can't have that discontinuity. The input values going into the pole attachment rate must be just and reasonable. And the only way to assure that is to apply the imputations that I've done based on that, the data that was provided to the Motion to Compel.

Q Thank you.

A Thank you.

Q So, moving to Exhibit 72, I have some questions with respect to accelerated depreciation by Consolidated.

A Yes.

Q From your understanding, was accelerated depreciation reflected in the rates that Consolidated charged to NECTA members?

A Well, let me answer it this way. As Mr. Horton testified, the rates charged by Consolidated were not based on a regulatory formula. So, they weren't directly based on the accelerated depreciation, or any depreciation, for that matter. However, by definition, their rates did reflect the cost experience of providing the pole attachments. That's true in any market. Whatever price is charged includes the recovery of costs. And I can further determine that, because their -- the rates charged by Consolidated were far in excess of even a regulatory capital recovery, that, by definition, they were sufficient to recover more than that regulatory amount of depreciation.

But there isn't a one-to-one matching. That's exactly why I've testified we need to do this imputation. But, again, my imputation doesn't use or rely on recovery of that accelerated depreciation costs, but rather imputed of the regulatory value.

But, to be clear, Consolidated did get the depreciation write-offs at those high GAAP levels. And depreciation is effectively, by definition, the reduction in asset value. And it provides a source of tax benefit, because depreciation is tax deductible. So, Consolidated, as a corporation, enjoyed the benefits of that accelerated GAAP depreciation. But the pole rates, I can tell you, were set at levels approximately double those that would have recovered the regulatory depreciation.

Q And in formation of those rates, is it your understanding that the formulas used by Consolidated and Eversource, respectively, were identical, and it was the inputs that varied? Or, is the formula and methodology used consistent?

A Okay. So, that's a good question. And it is a little confusing.

Eversource has been calculating pole

attachment rates based on the regulatory formula pursuant to New Hampshire laws. Notwithstanding their use of the regulatory approved formula, I found certain inputs that I felt did not meet the "just and reasonable" standard.

Consolidated, because it, my understanding, was not subject to the Commission's pole rate regulations, set its current rate based on a variety of factors, but not the application of that pole rate formula. When -- if you applied the pole rate formula, and you have to go back to my direct testimony, I can't remember the table, I think it was Table 3, but my direct testimony, I calculate what would have been the regulated rate Consolidated would have been able to charge had it applied the regulated formula, and determined their current rate was roughly double what the regulatory rate would be.

And that's why, in my direct case, I make the recommendation that, upon the transfer to Eversource, which is subject to the Commission's regulatory rate rules, that Consolidated's market rate should be -- should be aligned with the regulatory rate as part of this transaction, because it is now -- those assets are now returning back to a regulated entity. Again, they began in a regulated entity, but then they became subject to a lighter regulation of pole attachments, but now they're returning on the Eversource books to a regulated service, subject to that pole formula.

So, we're trying to -- that's, you know, trying to align the regulatory treatment of the pole attachment rates upon transfer.

Q Okay. Thank you, Ms. Kravtin. That's helpful.

Looking at the third bullet on Page 1 of Exhibit 72.

A Yes. I have that.

Q In this section, are you saying that the purchase price includes an acquisition premium above the just and reasonable net book value? I'm just trying to clarify.

A Yes, I am. And that is based on, again, just to be clear, though, my testimony is going to the pole attachment -- the appropriate net book value for purposes of the pole attachment rate. And I made a comparison, when you look at what the purchase price amount that Eversource agreed to pay Consolidated, and then I compared that with what the regulatory net book value would be had these assets retained the same regulatory treatment they had had historically, and determined a substantial difference between what Eversource had negotiated with Consolidated, and which they were free to do so, but with -- but comparing that with what the regulatory net book value would be. And, yes, I found an excess.

CMSR. SIMPSON: Thank you, Ms. Kravtin. I don't have any further questions for the witness, Mr. Chairman. Thank you.

WITNESS KRAVTIN: Thank you.

CHAIRMAN GOLDNER: Thank you. I have no further questions. So, we'll move to Ms. Geiger and the NECTA redirect.

MS. GEIGER: Mr. Chairman, may I have a moment to consult with my clients please?

CHAIRMAN GOLDNER: Of course.

(Short pause for Atty. Geiger to consult with her clients.)

MS. GEIGER: Mr. Chairman, I have a couple questions, hopefully, that will clarify the record.

REDIRECT EXAMINATION

BY MS. GEIGER:

Q Ms. Kravtin, you were asked questions by Commissioner Simpson about the difference between, basically, the difference between how Eversource's rates are calculated and how Consolidated's rates are calculated. Do you recall that?

A I do.

Q Okay. And was it your testimony that -- I believe you said that "Eversource's rates are calculated based on a regulatory formula, in accordance with New Hampshire law." You recall that?

A Yes. Or they're held to that, yes.

Q Are you familiar with the -- with the rate that is -- or, the rate formula that was established in a settlement agreement that was approved by this Commission in a Time Warner docket in 2012?

A Yes, I am.

Q And is it that -- is that settlement agreement that sets the formula by which Eversource's rates are set?

A Yes, it is.
Q Okay.
A And I can see, it's important, thank you for clarifying. What I was testifying to was that they're held -- they're subject to New Hampshire pole rate regulation law. The current formula being used was agreed upon through settlement, but pursuant to that law. I was trying to make the distinction between Eversource and Consolidated, for which, my understanding based on this proceeding, is not subject to those rules.
But, yes. It is my understanding the rates currently in effect are subject to that settlement agreement, correct.
Q So, is it fair to say that Eversource's rates are set according to a formula that was established in a settlement agreement, and that Consolidated's pole attachment rates are not subject to that same formula, correct?
A That is correct.
Q But Consolidated -- Consolidated's pole attachment rates are still subject to this Commission's regulatory authority, correct?

A That is my understanding. Yes.

Q Okay.

A And that is why part of my testimony I'm opining that, upon transfer of those assets, if the transaction proceeds, that it would be appropriate and necessary to reduce Consolidated's rates to levels commensurate with those pursuant to this Commission's oversight of pole rates.

Q Now, hopefully, one last clarifying question. Is it your testimony that, although Consolidated's rates, its retail rates, are not subject to regulation by this Commission, its pole attachment rates are?

A Well, I don't -- that may be going outside of my testimony, if you're asking me my understanding of how the law applies to Consolidated.

I can say that, from an economic and public policy matter, that it would be my understanding that rates charged by Consolidated for poles should be subject to the regulatory standards and oversight of this Commission for pole attachment rates. And that is why, in my testimony, I had calculated what the just and reasonable pole rates that I believe should apply to the Consolidated poles upon transfer.

MS. GEIGER: Okay. Thank you. I have no further questions.

CHAIRMAN GOLDNER: Thank you. Okay. With respect to Exhibits 1 to 74, noting that 68 to 72 are record request responses, without objection, we'll strike ID on those and admit those as exhibits?

[No verbal response.]

CHAIRMAN GOLDNER: Okay. Turning to the briefing schedule, if we give until May 20th for the transcript, that's ten days from now, two weeks after that for both the initial brief and the reply brief, that would place us with a deadline for an initial brief on June 3rd, and any replies no later than June 17th.

Is that reasonable or is there any opportunity to shorten the timing?

MR. KREIS: Well, Mr. Chairman, speaking as the person who, as you will recall, bragged that he could do it in a week after the transcript is ready, I would, I guess, suggest that you adopt the schedule that you just outlined. Because, when we last talked about this, you thought that maybe I was being a little too, I don't know, optimistic, or perhaps boastful.

CHAIRMAN GOLDNER: Thank you, Mr. Kreis. Is that schedule acceptable to everyone else?

(Multiple parties indicating in the affirmative.)

MR. McHUGH: Yes, Mr. Chairman.

CHAIRMAN GOLDNER: Thank you. Thank you. Okay.

Okay. Well, let's move on to the optional closing statements. And we'll begin with NECTA.

MS. GEIGER: Thank you, Mr. Chairman. NECTA would appreciate the opportunity to provide a brief closing statement.

As you've heard from NECTA's witness, and others, these issues are very important to NECTA's members. And we believe that it's -- excuse me -- it's appropriate for the Commission to focus very carefully on the prefiled testimony and the oral testimony provided by both Mr. White and Ms. Kravtin.

As the Commission knows, the standard of review in this case is the "public good" standard. And that standard includes the question of what is reasonable, taking into account all of the interests that are at play here.

The Joint Petition asserts that the "public good" standard is the "no net harm" test, which looks at the totality of the circumstances to determine that there is no net harm to the public as a result of this transaction.

Generally speaking, NECTA's interests regarding the proposed pole transfer from Consolidated to Eversource relate to the following: NECTA's members are very concerned about receiving accurate bills for the pole rents that NECTA members pay to the pole owners, both Consolidated and Eversource. We are interested in fair pole attachment licensing processes and just and reasonable pole attachment rates.

NECTA does not oppose the transfer of these assets. However, NECTA believes that, if the Commission approves the transfer, the Commission should adopt NECTA's recommendations to address the issues that NECTA has raised. In particular, NECTA respectfully requests that the Commission adopt the recommendations set forth in Exhibit 28, which is a revised excerpt of Mr. White's prefiled direct testimony. NECTA believes that those billing, licensing, and pole access recommendations are for the public good, and will ensure that there is no net harm as a result of this transaction.

In addition, with respect to the issue of just and reasonable pole attachment rates, NECTA respectfully requests that the Commission adopt Ms. Kravtin's recommendations, to prohibit Eversource from recovering, in pole attachment rates, the acquisition premium it intends to pay for these pole assets. And to expressly preserve pole attachers' rights to challenge such recovery in connection with any challenge to Eversource's pole attachment rates for the transferred poles and all other poles owned by Eversource.

Lastly, NECTA recommends that, if the

Commission approves the sale of these poles, it should set a lower Consolidated rate for the transferred poles, in accordance Ms. Kravtin's prefiled testimony, and allow Eversource to collect that lower rate for the transferred poles until such time as Eversource develops new pole attachment rates that reflect inclusion of the transferred poles.

NECTA appreciates the Commission's attention to these matters. And we thank the Commission for the opportunity to participate in this docket.

CHAIRMAN GOLDNER: Thank you. We'll move to OCA, and Mr. Kreis.

MR. KREIS: Thank you, Mr. Chairman. For the most part, I think I'm going to forgo any opportunity to offer my typical blustery closing statement, given that we will be briefing this very important case. And rest assured that we will take advantage of our opportunity to brief you on what we think you ought to do in light of the comprehensive record that has been adduced here. But just to make a few very brief points that might be useful to lay out now.

One, we share Eversource's perspective that it is in the public interest generally for local distribution electric companies or electric distribution companies to acquire the pole assets in their jurisdictions, for the reasons that Mr. Horton and his colleagues have testified to. I think that's very clear.

The problem, of course, is that this deal, and the terms of this deal, are extremely disadvantageous to ratepayers, because the Company is simply making too many concessions to Consolidated. And, if you look at the record, as I have, you see that, at every juncture where Mr. Horton and others from the Company confront the question of whether they could have or should have extracted a better deal on behalf of the ratepayers for whom they were essentially operating as the agents, his answer is basically just "Well, we couldn't get Consolidated to agree to that."

Well, that failure of Consolidated to agree to reasonable terms does not translate an unreasonable deal into a reasonable one, and you must scrutinize it for its just and reasonableness.

As the Commission knows, there are various rehearing motions pending with respect to the Commission's previous confidentiality determinations. And it's my earnest hope that those questions will be resolved prior to the submission of briefs.

I would just note, though, that our most recent written position on those issues was filed with the Commission on May 4th. And my friends at Consolidated are so lacking in persuasive argumentation in response to what I said, that they had to resort to making an incorrect argument that my objection to their rehearing motion was "untimely".

I would just like to remind everybody in the room that, although Rule Puc 203.07(f) provides that "Objections to motions for rehearing must be filed within 5 days of the date on which the motion for rehearing is filed", there is another Commission Rule, 202.03(c), that says "When the period of time prescribed or allowed is less than 6 days, then intermediate Saturdays, Sundays, and legal holidays shall be excluded in the computation of time."

Well, at least on my calendar, April 30th and May 1st were, respectively, a Saturday and a Sunday. Therefore, the filing I made on May 4th was actually a day early.

That's the kind of sharp pleading we have descended to in this case. And I look forward to this case being resolved favorably to ratepayers, with the Commission's rejection of the proposed deal, so that maybe Eversource can go back and negotiate a good deal.

I think that's all I can usefully say at this point.

CHAIRMAN GOLDNER: Thank you. We'll move to the DOE, and Mr. Wiesner.

MR. WIESNER: So, we will also provide our complete closing statement through the vehicle of the initial brief. But I'll just make a few comments.

Like others have said, we are not opposed to electric utility ownership of poles. There may be significant benefits to that ownership, in terms of operation, maintenance, and perhaps enhanced reliability. I'll note that those benefits have not been well quantified in this proceeding. They are probably difficult to quantify.

As the Consumer Advocate suggested, it's the specific terms of this transaction that are questionable in our view: The purchase price, the accommodation for failed poles, and the settlement of vegetation management amounts due from Consolidated to Eversource. It's those specific deal terms that have the potential to adversely affect Eversource customers. And that is our primary concern, as you will see in more detail in our initial brief.

CHAIRMAN GOLDNER: Thank you, Mr. Wiesner. We'll move to Consolidated, and Mr. McHugh.

MR. McHUGH: Thank you, Mr. Chairman. Again, brief closing comments.

First, if you break the transaction down, and there is a fundamental question for the Commission, that is "Who should own the poles?" And, while it's been expressed by the parties so far that they have no, basically, philosophical difference with Eversource over who should own the poles, a distribution electric company or the telecom incumbent local exchange carrier. How you get there, apparently, is really what's at issue.

But that is still a fundamental question the Commission has to answer. And then, it has to break it down into "Okay, well, what really is fair and what is really reasonable? And what should have Eversource done?" Because you can sit here and second-guess everybody until the cows come home, literally, and then go re-second-guess them again, because nobody was sitting in the room with the Eversource negotiating team or the CCI negotiating team for a period of a year, if not more, over all of the differences that have arisen between FairPoint and CCI and, you know, Eversource, in terms of its various ownership interests, as it has progressed through various merger proceedings.

And, you know, an example of that is in the Massachusetts DPU decision, it's cited in my opposition to the OCA's Motion for Rehearing on the confidentiality issues. And there are parties that objected to the settlement of the vegetation management, similar to here, "it's a bad deal." If you look at the summary in the order, it's around Page 563, I think. But, anyway, the cite's pretty close in my opposition.

And there was a whole host of objections to the settlement terms, and with people second-guessing Eversource and second-guessing the settlement with Verizon, with similar arguments here, "You've got to go sue them. You just can't give them away everything." And what the DPU found is, "well, that kind of ignored the litigation risk."

Everyone sitting to my left assumes that Eversource is going to file suit, and, magically, all of this money is going to fall out of the Superior Court, or this Commission, or somewhere, and it's just going to all go away to the benefit of ratepayers. And no one has given you any indication of what the litigation risk might be associated with that. It's just easy to second-guess and say "We don't like this deal. So, go figure out how to do it elsewhere." And one way you can do it is by, you know, keep pressing the issue, sue for how long it takes.

The Consumer Advocate has enjoyed referencing the New Hampshire Electric Co-op litigation that's going on, I'd be guessing a little bit, but it's going on well over a year, if not approaching two years, in terms of that litigation. And is that really what some at the Commission wants Eversource to really do? And you don't have a result yet, by the way, in that other litigation. So, you can't really look at that and say "Well, jeez, if one happens, then this is going to happen."

So, when you put all that aside and decide "Okay, well, let's look at the facts of the case", you know, it doesn't mean that common sense has to go out the door when you just look at some of the numbers. So, Eversource owns all of these poles with CCI for the vast majority, other than the 3,800 solely owned poles. So, I'm just going to put them aside, because a great majority are solely *[sic]* owned. So, all of those poles are on Eversource's books and records for 60 million, if not more, was the testimony when you look, $60 million. Those same poles are on Consolidated's books for a much different number because of accelerated depreciation.

When you look at Eversource using a 30-year or a little bit over 30-year useful life, if Consolidated was at a truly regulatory depreciation rate of, say, 15 to 17 years, the net book value is going to be $30 million. And that's what we're talking about.

Yet, somehow this quest for this imputation, it's translated into numbers that don't make any sense. When you look at the filing of December 6, and compare it to Mr. Shultz's testimony on Page 178 of the transcript, it's clear these numbers are GAAP. But, if you look at them from a common sense perspective, they have to be GAAP. You've got $63.5 million of pole asset gross investment in poles from CCI's merger in July 3 of 2017, and you have 35.7, if not 35.8, if I'm rounding up right, million of accumulated depreciation. How can that be anything but an accelerated depreciation rate?

So, when you start applying, and I understand, generally, anyway, from rate regulation, and even federal tax purposes, not necessarily overladen with a lot of common sense. There's a lot of rules and there's a lot of reasons why things are artificial. But, when you just look at the numbers, I don't see how you conclude anything but, that, when you have 2.5 years of ownership, and you have over half of it being depreciated, that is anything other than accelerated depreciation.

So, the book value that -- or, the net present -- no, sorry, not "net present value", the net purchase price that Eversource is agreeing to, that's what the record shows is going to go into the Eversource rate base. Everybody can second-guess that. There's no doubt about it. Everybody can apply their logic and come up with different numbers, when you're not sitting in a room trying to come up with a settlement, which involved a lot of different facets.

But, if you want to overturn the apple cart, and you really say "well, we sort of agree with Eversource, we don't like this deal", is the magic bullet that we're just going to -- we're just going to give the poles away? CCI is going to give the poles away?

I mean, based on the formulas, as I understand it, with Mr. Eckberg and Ms. Kravtin, basically, you know, CCI is supposed to give the poles to Eversource, and then pay them money. And, you know, I don't know. You know, I can't tell you what's going to go through the CEO's mind when he reads that decision, if that's really what the Commission wants to do. But I don't understand how CCI goes back to its shareholders and say "Well, this is really a good deal. So, you know, that's what we're going to." Or, why magically we're going to just sit down and renegotiate everything for the better. I can't -- if I could speak to the future, I wouldn't be sitting here, because I'd be somewhere else with picking Rich Strike as the winner of the Kentucky Derby. But, clearly, I'm sitting here. So, that didn't happen.

So, you know, and there are other issues, I understand the pole attachment issues. And I don't want to belabor it. But, really, with the "no net harm", if the pole attachment rates are CCI's today, and they're going to be the day after this transaction, then I don't see how that's anything but "no net harm".

The pole attachment agreements contain a process by which parties can either resolve disputes or bring them for proper adjudication. That's going to be, tomorrow, if this case magically gets flushed down the toilet, and it's going to be the case if it magically closes any time soon, when Eversource takes over. There's a process there. It should be followed.

The Eversource rates, I don't know, I couldn't tell, in the end, if they're trying to change the Eversource rates or they're not trying to change the Eversource rates. But the bottom line is, I always understood Commission orders that have not been approved -- appealed and/or overturned by the Supreme Court, are basically New Hampshire law. So, that's what Eversource is following, the New Hampshire law as it has been in existence since the 2012 Pole Attachment Settlement Agreement. And, until and unless there's a proceeding to overturn that decision, or that results in, say, a different decision, may be better put, then there's no net harm in post-closing that that rate stays the same.

So, when the Commission sits and balances everything, what Consolidated is asking for is to approve the deal as proposed. It has been subject to significant concessions by Eversource at this point. And what happens with pole attachment rates can be the subject of future proceedings, just like any other complaint that may come before the Commission, if the parties are unable to resolve their differences.

Thank you. Appreciate your time. And very much appreciate the Commission's time in hearing all of the parties to this proceeding. Thank you.

CHAIRMAN GOLDNER: Thank you. We'll move to, finally, to Eversource, and Ms. Ralston.

MS. RALSTON: Thank you. Thank you to Chairman Goldner and Commissioner Simpson for your time in March and today. And also thank you to the parties for their participation.

The Joint Petitioners are asking the Commission to approve the proposed transaction, because it is in the best interest of customers.

Some of the parties have noted that these benefits are difficult to quantify. But, as Mr. Horton testified this morning, the benefits are real. And the Company has shown two important ways that customers will benefit.

First, customers will benefit through an improvement of reliability and resiliency of the pole inventory. Outages and restoration costs can be avoided by a more proactive inspection and replacement of poles, so that poles are capable of withstanding physical impact. And this is the number one goal of the transaction.

Second, by becoming the sole owner of the poles, issues and delays in pole replacement can be eliminated, increasing the efficiency of the pole replacement process. This efficiency will benefit new customer connections and other system work that requires pole replacement.

In addition, the bill impact for customers is minimal, as Mr. Horton testified this morning. And I would like to note that no party has shown that the proposed transaction will result in adverse effects to customers.

Instead, the issues, as everyone has been highlighting, are financial issues, which we hope can be resolved reasonably, to allow this transaction to go forward.

Thank you.

CHAIRMAN GOLDNER: Thank you, Ms. Ralston.

Okay. We'll take the matter under advisement, await your briefs, and get an order out as quickly as we can.

Oh, I'm sorry?

MS. GEIGER: Mr. Chairman, one quick question about the post-hearing briefs.

I believe at the last session, there may have been a page limit imposed by the Commission on those briefs. Is it the Commission's intent to do so here or is there no -- is there no specified page limit?

CHAIRMAN GOLDNER: Currently, there's no specified page limit. We're fine with something south of infinity.

[Laughter.]

MS. GEIGER: Thanks very much.

CHAIRMAN GOLDNER: Thank you. Okay.

Thank you. We're adjourned.

(Whereupon the hearing was adjourned at 11:51 a.m.)