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**Via Electronic Mail Only**

Daniel C. Goldner, Chairman  
New Hampshire Public Utilities Commission  
21 South Fruit Street, Suite 10  
Concord, NH 03301-2429

RE: Docket No. IR 22-048, Investigation of Step Adjustment Methodology and Process  
Eversource Companies' Comments on Commission Staff Report

Dear Chairman Goldner:

Pursuant to the Commission's procedural orders issued in this investigatory proceeding, Public Service Company of New Hampshire d/b/a Eversource Energy ("PSNH") and Aquarion Water Company of New Hampshire, Inc. ("Aquarion") (collectively, "Eversource"), submit these comments regarding the *Report on Step Adjustment Methodology and Process* filed by Commission Staff on November 15, 2023 (the "Staff Report").

Eversource appreciates the significant effort of the Commission's Staff to prepare a detailed summary of the various positions presented and recommendations made by the stakeholders participating in this investigatory proceeding. The comments set forth herein are aimed at clarifying certain points in relation to Eversource's positions and recommendations that may diverge from those of other stakeholders.

In particular, Eversource takes this opportunity to reiterate its perspective that the step adjustment model does not sufficiently support necessary capital investment, given the level of capital investment that is now required on the system, as well as the increasing inflationary pressures that influence both capital costs and O&M expense. Where the step adjustments are inadequate to address attrition between rate cases, then the model does not work to enable longer periods between base rate filings. Although it is certainly the case that the step adjustment model embodies lag, which is recognized as creating an important incentive to control costs, this incentive does not work where the revenues produced are so inadequate that a stronger incentive to file a rate case is created to address the full range of costs. As a result, the step adjustment model does not function well to enable commitments during an extended stay-out period. (Data Request PUC 1-001 at 10).

For this reason, Eversource strongly supports consideration of a performance-based ratemaking framework, particularly for PSNH as the largest utility in the State. Performance-based ratemaking is aimed at promoting utility investment between rate cases, while creating strong incentives for utility cost efficiency and performance on the basis of that investment. (Data Request PUC 1-002). As described in Data Request PUC 1-002, performance-based ratemaking is a ratemaking framework that: (i) leverages the power of stay-out commitments to compel cost efficiency; (ii) supports infrastructure through annual revenue adjustments; and (iii) establishes

discrete performance metrics to measure outcomes for customers so that there is transparency as to the level of service that customers are paying for and receiving.

With respect to the scope of capital projects eligible for inclusion in a step adjustment or any alternative reconciling rate mechanism,<sup>1</sup> Eversource restates its position that growth projects are “new business projects” that are undertaken for the purpose of serving new load that PSNH has an obligation to serve. New load will generate new incremental revenues. However, the incremental revenue is not available to an electric company to cover the cost of bringing on the new load where revenue decoupling is implemented. Accordingly, to the extent that the incremental revenue is available to the utility to offset the capital cost of the customer addition, then these customer additions may be appropriately excluded from a step adjustment. However, if a revenue decoupling mechanism were in effect, the incremental revenues would be subsumed into that mechanism and the capital additions producing the revenue would therefore need to be included in the step adjustment or alternative mechanism.

Additionally, PSNH in its comments suggested that the process and methodologies, and related timelines, for formulating step adjustment proposals should be linked to an enhanced Least Cost Integrated Resource Plan (LCIRP), provided that the utility’s LCIRP is approved in a timely manner and without excess litigation through that enhanced process. PSNH acknowledges that the statutory requirement for review and approval of an LCIRP was repealed by legislation effective in October 2023. However, given the level of capital investment that is critically needed on the system, PSNH would support implementation of a similar electric utility capital planning review process, either through regulatory initiative or legislative action. The scope and timing of the capital planning process could be aligned with any ratemaking mechanism used to set rates in base rate cases and/or as part of alternative rate mechanisms operating between rate cases. PSNH envisions that the development of an enhanced electric utility capital planning process should create a meaningful, holistic indication of the results of the utility planning process, as applied to the electric distribution system, so that the Commission has a constructive and informed view of the drivers of electric utility investment in the State of New Hampshire for the purposes of prudence determinations.

Eversource appreciates the opportunity to provide these additional comments with respect to the Staff Report and would be happy to engage further with the Commission, Department of Energy, and other stakeholders as necessary or appropriate in connection with this investigation.

Consistent with current Commission policy, this filing is being made electronically only and paper copies will not follow. If you should have any questions, please contact me.

Sincerely,

*/s/ David Wiesner*

David K. Wiesner  
Senior Counsel

cc: IR 22-048 Service List

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<sup>1</sup> Note that Eversource would support the use of an annually reconciling rate mechanism that operates separately from base distribution rates as a preferable alternative to the traditional step adjustment model.