

BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO: DE 24-070

IN THE MATTER OF: Public Service Company of New Hampshire d/b/a
 Eversource Energy
 Request for Change in Distribution Rates

DIRECT TESTIMONY

OF

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New Hampshire Department of Energy

February 7, 2025

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- Attachment SRE-1 Qualifications and Professional Experience
- Attachment SRE-2 Summary Pages of Current and Prior Lead-Lag Studies
- Attachment SRE-3 New Start Program 2024 Q4 Report
- Attachment SRE-4 Eversource Response to data request DOE 14-248
- Attachment SRE-5 Eversource Response to data request DOE 14-088

1 **Introduction**

2 **Q. Please state your full name.**

3 A. Stephen R. Eckberg.

4

5 **Q. By whom are you employed and what is your business address?**

6 A. I am employed as a Utility Analyst with the New Hampshire Department of Energy's
7 Regulatory Support Division. My business address is 21 South Fruit Street, Suite 10,
8 Concord, NH, 03301.

9

10 **Q. Please summarize your relevant education and professional work experiences.**

11 A. I was previously employed as a Utility Analyst with the New Hampshire Office of Consumer
12 Advocate ("OCA") from 2007 to 2014. In 2014, I joined the Sustainable Energy Division of
13 the Public Utilities Commission ("PUC" or "Commission"). In 2019, I joined the
14 Commission's Electric Division. In July 2021, with the passage of HB2, the New Hampshire
15 Legislature created the Department of Energy ("DOE" or "Department"), and I became an
16 employee of the Regulatory Support Division of the DOE. I work primarily on regulatory
17 matters involving New Hampshire's electric utilities. I have a B.S. in Meteorology from the
18 State University of New York at Oswego and an M.S. in Statistics from the University of
19 Southern Maine. I have worked in a variety of energy-related analytic and administrative
20 roles for over 25 years. Attachment SRE-1 provides more complete details of my education
21 and professional work experience.

22

23 **Q. What is the purpose of your testimony?**

1 A. The purpose of my testimony is to present the Department’s recommendations to the
2 Commission on the following matters:

3 1. The Depreciation Study and recommendations from that study filed by Public Service
4 Company of New Hampshire d/b/a Eversource Energy (“Eversource” or “Company”)
5 witness Mr. John J. Spanos.

6 2. The Company’s Energy Park solar facility located on the roof of its office building in
7 Manchester, NH and the possible retirement of that facility.

8 3. The Company’s Lead-Lag Study performed to determine the Company’s working
9 capital requirement related to its Distribution line of business as presented by
10 Company witnesses Botelho and Chen.

11 4. The Company’s Fee Free Program.

12 5. The Company’s New Start Program.

13 6. An adjustment regarding a regulatory liability related to Renewable Portfolio
14 Standard obligation.

15

16 **The Depreciation Study**

17 **Q. Please briefly describe your background in utility depreciation matters.**

18 A: I am familiar with depreciation as it applies to regulated utilities, having reviewed
19 depreciation studies in numerous utility rate case dockets in which I have participated. I have
20 taken the Fundamentals of Depreciation training course offered by the Society of
21 Depreciation Professionals and am working toward becoming a Certified Depreciation
22 Professional (CDP). I have previously filed testimony addressing depreciation matters in

1 dockets DE 21-130 Unitil Request for Change in Rates, DG 21-104 Northern Utilities
2 Request for Change in Rates, and DE 23-039 Liberty Utilities Corp. Request for Change in
3 Distribution Rates before this Commission.

4
5 **Q: Please provide a summary of your depreciation recommendations in this case.**

6 A: My recommendations regarding depreciation to the Commission include:

- 7 1) Approve the use of depreciation accrual rates presented in the Depreciation Study
8 prepared and presented by Company witness Mr. John J. Spanos. That study uses the
9 remaining life (RL) technique to determine the accrual rates and annual book
10 depreciation amount by plant account.
- 11 2) Approve \$91,666,445 as the unadjusted annual accrual amount for the test year based on
12 end of test year plant account balances as shown in the testimony of Mr. Spanos at page
13 3 of 20 (Bates 18880). This amount does not reflect the Company's pro-forma
14 adjustments to rate base or any rate base adjustments included in the testimony of
15 Department witnesses Jay Dudley/Ron Willoughby/Joe DeVirgilio or other witnesses.
16 Adjustments from these and other Department witnesses are included in the revenue
17 requirement testimony of Department witness Ms. Donna Mullinax.
- 18 3) Recommend that the Company remove from the Company's rate base the remaining
19 undepreciated value of its rooftop PV system currently installed at its Energy Park
20 headquarters building in Manchester. The Company has not maintained this system in
21 good operating condition in recent years, and it is not producing the reasonably expected
22 amount of energy. Further, the Company has not reported the system's energy
23 production from the system to the NEPOOL-GIS since 2016 in order to earn Class II

1 Renewable Energy Certificates, even though it is properly registered to do so. Finally,
2 the Department recommends that Company *not* collect the remaining undepreciated
3 value of this system because it has not been a good steward of this asset, which it asked
4 ratepayers to pay for and for which it has earned its regulated rate of return since it was
5 initially added to rate base in 2009.

6

7 **Q: Please provide some background on depreciation and the inclusion of the depreciation**
8 **expenses in the Company's revenue requirement. Following that, address each of the**
9 **depreciation related issues you identified above in more detail.**

10 A: Certainly. Eversource, as is standard practice for public utilities, includes in its annual
11 revenue requirement an amount that is, at least theoretically, equal to the decline in the value
12 of the company's capital assets over a twelve-month period. This is necessary because all
13 capital assets decline in value over their lifetime of use in the provision of service to
14 ratepayers. To account for this, the annual amount of depreciation is deducted as part of the
15 calculation of the utility's rate base on which it earns an allowed rate of return, and that same
16 amount becomes an addition to its operating cost. In this manner, the utility's shareholders
17 receive both a return *on* their capital investments, and, via the depreciation charges, a return
18 *of* their investment.

19 The accounting necessary to determine the depreciation amount is complicated. Utilities,
20 including Eversource, add new capital assets to their rate base, and accurate records must be
21 kept about the additions and related removals. In addition, operating conditions of the
22 equipment are not static, and existing assets may not depreciate exactly as they were
23 expected to at the time they were installed and included in rate base. For this reason, utilities

1 such as Eversource conduct, from time to time, a depreciation study, usually completed by
2 experienced consultants who are experts in the field of depreciation.

3

4 **Q: Please provide additional information about a typical depreciation study.**

5 A: A depreciation study is a statistical undertaking that incorporates information about the
6 vintage of the utility's assets – the year when each asset was placed in service and the rate at
7 which specific assets are being retired from service – along with information about the
8 original cost of the asset, cost of removal of the asset when it has reached the end of its useful
9 life, and any salvage value the asset may have once removed from service. In addition,
10 actuarial techniques are used to update survival characteristics of each asset class, including
11 determinations of how much useful life remains in each asset group included in rate base.
12 Depreciation experts use statistical techniques to fit survival curves to groups of assets and
13 make calculations of how the forces of retirement are acting upon each asset group to derive
14 an estimate of the service life remaining in each such group. In addition, the depreciation
15 expert will likely interview Company staff and conduct field visits to gather information on
16 changes in equipment, installation methods and maintenance techniques, all of which can
17 provide useful information in the determination of asset life.

18

19 **Q: Have you reviewed the depreciation study and recommendations that Eversource's**
20 **witness, Mr. Spanos, has presented?**

21 A: Yes, I have.

22

23 **Q: What did the depreciation study performed by Mr. Spanos present?**

1 A: Mr. Spanos’ study, which used the straight-line method, average service life (ASL)
2 procedure, and Remaining Life (RL) technique, presented newly developed depreciation
3 accrual rates for most of the common intangible, distribution, and general plant accounts
4 used to record the company’s distribution assets. The straight-line method and ASL
5 procedure approach were used in the previous depreciation study performed for Eversource’s
6 last rate case docketed as DE 19-057. In this current study, Mr. Spanos used the RL
7 technique, which is similar to the approach proposed in the previous study.

8

9 **Q: Are the characteristics of Mr. Spanos’ study congruent with the approaches historically**
10 **approved by the Commission?**

11 A: Certain aspects of the study are. The use of straight-line and the ASL procedure are in line
12 with past approved depreciation accrual rates. However, historically, the Department has
13 recommended and the Commission has approved rates developed using the Whole Life (WL)
14 technique.

15

16 **Q: You mentioned that Mr. Spanos used the RL technique in his study, representing a**
17 **change from the Commission’s long standing precedent. Do you support that change in**
18 **technique?**

19 A: Yes. I recommend that the Company accept Mr. Spanos’ approach to developing
20 depreciation accrual rates using the RL technique. As explained by Mr. Spanos in his
21 testimony, the RL technique can be considered superior to the WL technique in that “...the
22 remaining life technique ensures that the full service value (original cost less net salvage)
23 will be recovered through depreciation expense – and no more or no less.” See Bates p

1 18884. Mr. Spanos' testimony in another recent docket stated succinctly that "The
2 development of depreciation rates uses the remaining life method with the average service
3 life procedure which is the most common method and procedure across the United States."¹
4 In fact, in recent years, in rate cases filed by New Hampshire's regulated electric utilities,
5 depreciation specialists have exclusively filed depreciation studies that develop rates using
6 the RL technique. See, for example, testimony of: John J. Spanos in DE 19-057 Eversource
7 Rate Case; Ned W. Allis in DE 21-030 Unitil Rate Case; John J. Spanos in DE 23-039
8 Liberty Rate Case; and the current case.

9
10 **Q: Can you briefly explain the difference between the WL and the RL techniques?**

11 A: The WL technique allocates the original cost of the assets less the estimated net salvage²
12 over the total estimated life of the asset.

13 The RL technique takes a somewhat different approach. It recovers the undepreciated
14 original cost less the net salvage over the remaining life of the asset. That is, the original
15 plant cost less current book depreciation is used as the depreciable cost, and the average
16 remaining life, rather than the average service life, is used in the denominator to calculate the
17 annual depreciation accrual rate. The formulas for calculating WL depreciation rates are
18 simpler and easier to present and explain than the corresponding formulas for RL
19 depreciation rates and amounts. Therefore, while the WL technique has an advantage in
20 "understandability", it falls short in other respects.

21

¹ See Testimony of John J. Spanos in DE 23-039 at page 5 of 16 (Docket Tab 6).

² Net salvage represents the estimated gross salvage value less the estimated cost of removal at retirement. Net salvage can be either positive (if gross salvage > cost of removal) or negative (if cost of removal > gross salvage).

1 **Q: Are there advantages and disadvantages of each technique - WL and RL?**

2 A: Yes, there are. As explained above, the WL technique is simpler to explain and to present
3 mathematically. However, because the WL approach uses the original cost of the asset to
4 calculate the accrual rate even as new information comes in over the life of the asset about
5 changes in the net salvage rates and the asset life itself (an asset may prove to deteriorate
6 more quickly or last longer than originally planned), there may be differences that develop
7 between the booked depreciation reserve (the total amount of depreciation expense collected
8 over time from ratepayers) and the theoretical or calculated depreciation amount. This
9 difference is referred to as a theoretical reserve imbalance. The RL technique takes into
10 account both the original asset cost and the amount of depreciation that has already been
11 collected for the asset, adjusts that by taking into account the anticipated net salvage value
12 and then spreading this amount over the remaining life of the asset.

13

14 **Q: Please continue with your explanation of the advantages and disadvantages of the WL
15 and RL techniques.**

16 A. As explained above, use of the WL technique may result in a theoretical reserve imbalance.
17 That imbalance is then something which requires attention. If the total depreciation that has
18 been collected over time is greater than or less than the theoretical amount of depreciation
19 that should have been collected under the newly proposed WL depreciation rates, then a
20 reserve imbalance exists and must be dealt with by either collecting additional depreciation
21 amounts or returning the overcollection. The RL technique differs in that it uses the
22 undepreciated value of the asset and the remaining service life to calculate the annual accrual
23 rate. This method incorporates into the accrual rate calculation any theoretical reserve

1 imbalance and spreads it out over the remaining life of the asset. In this way, the RL method
2 already incorporates any potential reserve imbalance into its calculations. The RL method
3 has the advantage that, theoretically, it will always collect no more and no less than the
4 original cost of the plant asset over the life of that asset, even as new information comes in
5 over time about retirements, service life, and salvage value during subsequent depreciation
6 studies.

7

8 **Q: Did Mr. Spanos' depreciation study determine that there was a theoretical reserve**
9 **imbalance that would need to be considered?**

10 A: No. As explained, the depreciation study prepared by Mr. Spanos used the RL technique so
11 that any imbalance has been incorporated into his calculated depreciation accrual rates, and
12 any imbalance is spread over the average remaining life of the assets in each plant account.
13 However, in response to discovery, Mr. Spanos did provide depreciation rates calculated
14 using the WL technique and details of the resulting theoretical reserve imbalance by FERC
15 account.

16

17 **Q: Did you use the information provided by Mr. Spanos regarding both RL and WL**
18 **depreciation costs to develop your recommendation?**

19 A: Yes. Based on the information provided, the depreciation study results indicate if the WL
20 technique were used, there would be a sizeable depreciation reserve imbalance which would
21 need to be dealt with. Historically, the Department would recommend that an imbalance be
22 amortized, or collected from ratepayers, over a period of time roughly corresponding to two
23 times the interval between rate cases (and corresponding depreciation studies). Whereas

1 Eversource’s most recent rate case was five years ago (DE 19-057) and prior to that the
 2 Company had a full distribution rate case in 2009 (DE 09-035). The average time span
 3 between recent rate cases is, therefore, 7.5 years so the Department’s recommended
 4 amortization period would 15 years ($7.5 \times 2 = 15$). Then, the amortization amount would be
 5 included in the Company’s revenue requirement along with the calculated WL derived
 6 annual depreciation amount. This total amount would compare to the annual depreciation
 7 amount developed under the RL technique.

8

9 **Q: Have you compared the total depreciation amount that would be collected with WL**
 10 **plus amortizing the reserve imbalance to the RL depreciation amount developed in Mr.**
 11 **Spanos’ study?**

12 A: Yes. The table below presents a comparison of the potential costs under the two approaches.
 13 Of course, if the amortization period for the reserve imbalance was shorter, then the annual
 14 amortization amount would be larger and the comparative cost of using the WL approach
 15 would be even greater compared to using the RL approach.

Table 1. Cost Comparison of Whole Life (WL) and Remaining Life (RL) Depreciation			
	Remaining Life (RL)	Whole Life (WL)	Cost of WL vs. RL
Annual Depreciation Amount	\$91,666,445	\$83,745,805	(\$7,920,640)
Theoretical Reserve Imbalance		\$161,409,799 undercollection	
DOE Recommended Imbalance Amortization Period		15 years	
Annual Imbalance Amortization Amount		\$10,760,653	
TOTAL Annual Depreciation Amount = RL or (WL + Imbalance Amortization)	\$91,666,445	\$94,506,458	\$2,840,013

1
2 **Q: Is the lower cost of using the Company’s proposed RL technique in the development of**
3 **depreciation rates and annual depreciation costs a factor in your recommendation to**
4 **support the Company’s depreciation study and results?**

5 A: While that is certainly a consideration, other factors include those identified by Mr. Spanos in
6 his testimony: that the RL technique is the most widely used across the country to develop
7 depreciation rates; and that the RL calculations include the depreciation amounts already
8 collected, in effect, building in the amortization of any depreciation reserve imbalance –
9 either overcollection or undercollection of depreciation amounts – into the newly estimated
10 depreciation rates over the remaining useful life of the assets.

11
12 **Energy Park Solar Facility**

13 **Q: Please describe Eversource’s PV installation at Energy Park.**

14 A: In 2009 the Company completed installation of a 51.3kW photovoltaic (PV) system on the
15 roof of their Energy Park office building in Manchester. The total installed cost of the
16 system was \$358,614. The system applied for and received certification as a Class II
17 renewable energy generator. This means that the system could report its energy generation to
18 the NEPOOL Generation Information System (GIS) and receive NH Class II RECs
19 corresponding to its energy production. Presumably, Eversource would use those Class II
20 RECs in support of its annual RPS compliance requirements as a load serving entity, and the
21 energy produced would be used “behind-the-meter” at the Energy Park building with any
22 excess being exported onto the distribution grid.

1 **Q: How much energy would this PV system be anticipated to produce on an annual basis?**

2 A: Using the PVWatts energy modeling software provided by the National Renewable Energy
3 Laboratory (NREL)³, a 51.3kW-DC / 50kW-AC rooftop PV system in Manchester would
4 produce approximately 63,000 kWh annually.

5

6 **Q: Does Eversource have metering in place to measure the actual production of the PV**
7 **system?**

8 A: In response to discovery, the Company provided energy production from recent years. That
9 data is presented in Table 2 below.

Table 2. Energy Park PV System Production Data – Annual kWh				
Year	2023	2022	2021	2020
Annual kWh	13,383	18,813	25,688	37,513

10

11 **Q: The actual energy production data appears to be considerably lower than the predicted**
12 **generation. Did the Company provide an explanation for this?**

13 A: Yes. Again, in response to discovery, the Company stated that

14 “Several of the inverters at the Energy Park solar facility are not operating and are beyond
15 their useful life. Given that refurbishing the system may require significant capital
16 expenditures, and would coincide with a major roof replacement project, the Company is in
17 the process of evaluating the future status of the Energy Park solar facility.”

18

³ <https://pvwatts.nrel.gov/>

1 Further, the Company shared that it has not reported energy production from the facility to
2 the NEPOOL-GIS since 2016. This means that the Company has not earned any NH Class II
3 RECs corresponding to the system's energy generation for seven (7) years.

4
5 **Q: What are the Department's specific concerns regarding the Company's ownership and**
6 **operation of the Energy Park solar facility?**

7 A: The Department has several major concerns. These are: 1) that the Company has not
8 properly maintained the system in a manner that would continue a reasonable level of energy
9 production from the solar facility; 2) that the Company has not reported the energy
10 generation to NEPOOL-GIS for seven years – a total of perhaps 230,000kWh or 230MWH
11 representing 230 NH-Class II RECs, and; 3) that as of December 31, 2023 the solar facility
12 has an undepreciated value in rate base of \$276,834 that the Company may expect to recover
13 even if it retires the system as it suggests in the discovery response quoted above.

14

15 **Q: Is there an estimate of the value of the energy and Class II RECs that the Company has**
16 **“missed out” on due to its poor maintenance and non-reporting of energy from the**
17 **solar facility?**

18 A: The Company has not provided any estimates, but I estimate that the combination of under-
19 production and non-reporting could be in the neighborhood of 230MWH of energy. If, in
20 fact, the Company failed to report 230MWH of energy generation from the solar facility over
21 the last seven years, the corresponding value of the NH-Class II RECs could be
22 approximately \$8,570. This represents Class II RECs that the Company would have earned
23 for only the administrative costs of reporting the energy to NEPOOL-GIS. Had the facility

1 been maintained properly by replacing the non-functioning inverters in a timely manner to
2 continue optimal energy production, the system may reasonably have produced 50,000 kWh
3 annually. That suggests a “lost generation” amount of perhaps 120,000 kWh – energy which
4 would likely have been used “behind-the-meter” at Energy Park. That energy represents
5 energy that ratepayers would not have had to pay for as “company use” energy. So, in effect,
6 ratepayers have paid twice – once for the costs associated with the solar facility on the roof
7 of Energy Park which is NOT generating the expected amounts of energy and, twice, by
8 having to pay for energy used at the Company’s office building to “replace” the energy not
9 being generated by the rooftop solar array.

10
11 **Q: What recommendations does the Department have regarding the Energy Park solar**
12 **facility?**

13 A: The Company has stated, in response to discovery, that it will remove the facility from rate
14 base when it makes an updated rate filing in this docket. While this is certainly a reasonable
15 step for the Company to take, given the overall status of the system as discussed above, the
16 Department is concerned that simply removing the solar facility from rate base is not a
17 sufficient remedy for the Company’s ratepayers who have not received the anticipated
18 benefits from the solar facility due to the Company’s poor track record of ownership. Were
19 the Company to simply remove the system from rate base, it would no longer earn its
20 allowed rate of return on the remaining, undepreciated value of the asset. The Company has
21 stated that as of the end of the test year, December 31, 2023, that value is \$276,832. The
22 Department recommends that the Company *not* be allowed to collect that remaining
23 undepreciated value – that it be written off – or otherwise paid for by shareholders. The

1 Company has not properly maintained the system or reported the energy generated to
2 NEPOOL-GIS since 2016, which means ratepayers have not realized the full value of this
3 asset during the period when the asset has been included in rate base and the Company has
4 earned its allowed rate of return on the solar facility. Therefore, the Department recommends
5 that the Company should *not* realize the benefit of having ratepayers fully compensate it for
6 the return of the investment in the solar facility.

7

8 **Lead-Lag Study**

9 **Q: Has the Company presented the results of a Lead-Lag Study used to calculate its**
10 **Distribution related Cash Working Capital needs?**

11 A: Yes. The Company filed a detailed lead-lag study as part of the testimony of Company
12 witnesses Ms. Ashley Botelho and Ms. Yi-An Chen with detailed accompanying schedules
13 documenting the calculations of payment and revenue leads and lags. The section of their
14 testimony that covers this subject matter is found at pages 91 – 97 of 116 (Bates 01609-
15 01615). The relevant schedules containing the details of the Lead-Lag Study are presented
16 on Bates 01742 – Bates 01759.

17

18 **Q: Briefly, what is the purpose of a Lead-Lag Study?**

19 A: A Lead-Lag Study is used to evaluate the period of time between when payments are made
20 by the Company relative to the many operations and services it engages in and when
21 payment is received from customers for those services. This time lag between the
22 Company's paying for services and receiving payment from customers is used to determine
23 the Company's Cash Working Capital (CWC) needs to fund ongoing operations.

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Q: Have you reviewed the results of the Lead-Lag Study relating to that issue as presented in the testimony of Company witnesses Botelho and Chen?

A: The results of the Company’s updated lead-lag study are closely aligned with the results of the prior study in the Company’s last rate case DE 19-057. In that prior docket, the joint testimony of Eric Chung and Troy Dixon contained the Company’s Lead-Lag study and showed a weighted net lag of 21.88 days for the rate case test year of 2018. The current study presented by witnesses Ms. Botelho and Ms. Chen shows a weighted net lag of 13.91 days for the rate case test year of 2023. The methods used to develop the current results are consistent with prior study, and the final results are close to that of the prior study.

Q: What impact do these Lead-Lag Study results have on the Company’s Distribution CWC requirements included in the revenue requirement?

A: The study results in the current case show a lower weighted net lag days result which results in a lower CWC rate. Applying the current study results in the development of a Test Year Distribution Working Capital requirement of \$10,442,722. This compares to the results from the prior study in DE 19-057 which resulted in the calculation of a Working Capital requirement of \$13,760,897. For comparison and reference purposes, I have included the summary pages of the current and prior Lead-Lag Studies as Attachment SRE 2 pages 1-2 to my testimony.

Q: What recommendation does the Department have for Commission regarding the Company’s Lead-Lag Study?

1 A: The Department recommends that the Commission accept the results of the Company's
2 Lead-Lag Study for the purpose of calculating Distribution related Cash Working Capital.

3 **Fee Free Program**

4 **Q: Please provide a brief description of the Company's Fee Free Program.**

5 A: The Company's Fee Free Program (FFP) which was first implemented in 2021, following its
6 approval through the Settlement Agreement in Company's Rate Case in DE 19-057, allows
7 residential customers to pay their electric bill with a credit or debit card without incurring an
8 incremental transaction processing fee. The transaction fees are charged directly to the
9 Company by its third-party payment processing vendor, and subsequently recovered through
10 distribution rates.

11

12 **Q: You stated that the FFP is available to residential customers for their bill payments. Is**
13 **it also available to other customers?**

14 A: No. Currently the FFP is available *only* to residential customers. Further, this payment
15 option is *not* available for recurring payments *nor* is it available to commercial customers. If
16 customers desire to arrange recurring payments, those must be paid with a bank account
17 through the Company website. Finally, the Company is *not* seeking to expand availability of
18 the program to other customer groups at this time. The Company seeks to continue the
19 program with its current implementation parameters.

20

21 **Q: What level of costs is the Company incurring to implement the program?**

22 A: In the joint testimony of Company witnesses Traynor and Kishimoto, the Company presented
23 annual costs for the years 2021 – 2023. I have supplemented that information with the most

1 recent costs provided by the Company for 2024 and provide that information in Table 3
2 below.

Period	% of All Payments Using Fee Free Option	Total Cost
2/11/21 – 12/31/21	4.6%	\$352,270
1/1/22 – 12/31/22	5.9%	\$495,759
1/1/23 – 12/31/23	7.4%	\$637,280
1/1/24 – 12/31/24	8.0% (est. by DOE)	\$625,959

3

4 **Q: How much is the Company currently collecting in distribution rates to pay for the**
5 **FFP?**

6 A: Pursuant to Section 12.3 of the approved Settlement in DE 19-057, the Company was
7 allowed to recover \$375,000 of program related costs in distribution rates beginning January
8 1, 2021, subject to reconciliation at the time of the Company's next rate case (i.e. the current
9 rate case DE 24-070) with carrying charges on the over- or under-recovered balance
10 calculated at the prime rate. Further, if the actual costs resulting from customer adoption of
11 the fee free option were to exceed the initial \$375,000 allowed in rates in the first year, the
12 Company shall increase the amount in rates to an amount reflecting the estimated costs, but
13 not more than \$520,500 effective February 1, 2022.

14

15 **Q: Based on the information you provided in Table 3 it appears that the Company's actual**
16 **costs have, in fact, exceeded the annual amounts included in rates. Is that an accurate**
17 **conclusion?**

1 A: Yes. The testimony of witnesses Traynor and Kishimoto states that the Company has
2 incurred a cumulative under-recovery of \$528,000 on FFP expenses in the period prior to
3 August 1, 2024. Further, the Company proposes to recover this amount via a five-year
4 amortization collecting \$105,602 annually.

5

6 **Q: Apart from this amortization of under-recovery, what amount does the Company**
7 **propose to include in distribution rates annually to fund the FFP?**

8 A: According to the joint testimony of Ms. Botelho and Ms. Chen, the Company proposes to
9 collect the annual amount of \$792,100 in distribution rates. See testimony of Botelho and
10 Chen at Bates 01551.

11

12 **Q: Does the Department support this annual level of FFP funding and the proposed**
13 **amortization of the prior year under-collection?**

14 A: No. The Department proposes alternate amounts for both annual funding and amortization.
15 Based on the annual level of FFP expenses as seen in Table 3 above, the Department
16 proposes an annual funding level of \$600,000 be included in distribution rates for the FFP
17 and that any annual over- or under-collection be reconciled annually in a reconciling rate
18 mechanism such as the current Regulatory Reconciliation Adjustment (RRA) Rate. In
19 regards to the amortization of the current cumulative under-collection of FFP costs, the
20 Department recommends a shorter amortization period such as two years given the relatively
21 small total amount. This shorter period would serve to reduce carrying costs paid by
22 customers. If this amortization were included in a similar reconciling rate mechanism as
23 mentioned above, it would be easier to end the amortization of costs when they are fully

1 collected. Finally, prior to any final proposal or agreement on the amount of under-collection
2 or amortization of FFP costs, the Department requests that the Company confirm the under-
3 collection amount that it has presented in testimony, as it is unclear if the Company did, in
4 fact, increase the amount of FFP funding in base rates to \$520,500 effective February 1, 2022
5 as described in the approved Settlement from DE 19-057.

6
7 **New Start Program**

8 **Q: Please provide a brief description of the Company's New Start Program.**

9 A: The New Start Program is an arrears management program that provides payment assistance
10 for qualifying residential customers struggling with past due utility bills where, for every
11 required monthly payment an enrolled customer makes to the Company, a portion of their
12 past due balance will be forgiven. As explained in the joint testimony of Company witnesses
13 Traynor and Kishimoto, "the intent of the program is to: enable the customer to develop
14 consistent bill payment habits; protect the customer from service disconnections while
15 participating in the program; and enable the customer to get a fresh start as the past due
16 arrears are forgiven with each new monthly payment made."

17
18 **Q: Is there program data available which suggests that the program has been effective in
19 its first few years?**

20 A: Yes. The Company files quarterly reports which contain data on numerous customer
21 payment metrics. Those reports are filed with the Commission and are available in the
22 virtual file room for docket DE 19-057. See, for example Tab 291 dated January 23, 2025,
23 for the Company's (corrected) 2024 Quarter 4 New Start Program Report. I include a copy

1 of this report in my testimony for convenience (and in a somewhat more readable format than
2 the filed version) as Attachment SRE-3. Further, Company witnesses Traynor and
3 Kishimoto provide a summary and review of some of these metrics which indicate the
4 program has been successful at meeting its goals.

5
6 **Q: In your own review of the New Start Program reports are there metrics or data that
7 you believe are noteworthy?**

8 A: Yes. In my review of the 2024 Quarter 4 report identified above, I note that in Excel Rows
9 28 and 29 which are identified as “Questions 10a and 10b” show a comparison of
10 disconnections before and after the start of the program. Specifically, in reviewing the data
11 in the columns for January through December 2024, I can see a significant reduction in the
12 number of monthly disconnections. For example, September 2024 data shows 1,774
13 disconnections compared to 3,063 disconnections in the same month in 2019. This suggests
14 to me that the program is resulting in reduced operating costs for the Company because each
15 disconnection requires a service truck to visit the premises in question to disconnect service.
16 Further, a bit of additional math using the data presented shows that for the sample month of
17 November 2024, the average payment received by the Company for an enrolled customer
18 was \$175. This compares favorably to the corresponding amount of arrearage forgiveness in
19 the same month of \$140.

20 Other indicators also provide evidence that the program is accomplishing its goals.

21
22 **Q: Does the Department support continuation of the New Start Program?**

1 A: Yes it does. The information provided in the Company's regular reports suggests that the
2 program is effective and accomplishing its goals.

3

4 **Q: What program funding level has the Company requested in this filing and what level of**
5 **funding does the Department recommend?**

6 A: In its rate case filing, in the Permanent Rate Schedules of Ms. Botelho and Ms. Chen at
7 Bates 01698 the Company shows that actual test year expenses for the New Start Program
8 were \$3,571,693. The Company proposes a pro-forma adjustment to this in anticipation of
9 additional program participation for a proposed funding level of \$3,988,737. The
10 Department recommends that the program be funded at an annual level of \$3,500,000, that
11 this amount be included in distribution rates, and that any actual costs differences, over or
12 under, be addressed in an annually reconciling rate mechanism such as the Company's
13 current Regulatory Reconciliation Adjustment (RRA) Rate.

14

15 **Q: Since the program's start in 2022, has there been a cumulative under-collection of New**
16 **Start Program funding? If so, has the Company made a proposal to address that?**

17 A: Yes, there has been an under-collection. The Company was permitted to recover \$1,077,356
18 in rates annually beginning February 1, 2022, subject to reconciliation at the time of the
19 Company's next rate case, with carrying charges on any over- or under-recovery balance
20 calculated at Prime Rate. The Company witnesses state there is an estimated under-
21 collection of \$4,900,068 as of July 1, 2024. In the testimony of Botelho and Chen at Bates
22 01579, the Company proposes to recover this outstanding balance over a five-year period that

1 would result in an annual recovery of \$980,013. In the Company's updated rate case filing,
2 this amount has been adjusted to \$949,431.

3

4 **Q: Does the Department have a recommendation regarding this recovery proposal?**

5 A: The Department supports the Company proposal to recover this amount over the proposed
6 five-year period. However, the Department recommends that the amortization flow through
7 a reconciling mechanism rather than be included in base rates. Including the amount in base
8 rates creates potential challenges if, for some reason, the Company does not file its next rate
9 case in five years. If that were to occur, the Company could possibly continue to collect this
10 amount in rates even after the amortization were complete. The use of a reconciling
11 mechanism provides a better opportunity to end the amortization in a timely manner when
12 the amount is fully collected.

13

14 **Regulatory Liability Related to Renewable Portfolio Standard Obligation**

15 **Q: Please explain the Department's recommendation regarding the regulatory liability**
16 **related to Eversource's Renewable Portfolio Standard obligation.**

17 A: The Department is proposing that a correction be made to remove from Eversource's rate
18 base calculation the regulatory liability of (\$8,124,302) related to Eversource's Renewable
19 Portfolio Standard (RPS) obligation. Eversource explained that this regulatory liability was
20 "incorrectly recorded to the distribution segment line of business." (See Attachment SRE-4,
21 Company response to data request DOE 14-248, which explains the incorrect inclusion of
22 this liability in distribution.) This regulatory liability, which is related to Eversource's RPS
23 obligation, is accounted for in the energy service line of business and should not be included

1 in the Company rate base calculation. (See Botelho/Chen testimony, Attachment ES-
2 REVREQ-1, Schedule ES-REVREQ-36, page 1 of 1, Bates p. 1734, Line 40.). See
3 Attachment SRE-5 Company response to data request DOE 14-088 which identifies the RPS
4 portion of regulatory liability as (\$8,124,302).

5

6 **Q: Does this conclude your testimony?**

7 A: Yes.