

Public Service Company of New Hampshire
d/b/a Eversource Energy
Docket No. DE 24-070
Joint Rebuttal Testimony of Leanne M. Landry,
James J. Devereaux, Brian Dickie, and G. Brent Kilgore
March 10, 2025

STATE OF NEW HAMPSHIRE
BEFORE THE
NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

DOCKET NO. DE 24-070
REQUEST FOR CHANGES IN DISTRIBUTION RATES

JOINT REBUTTAL TESTIMONY OF
Leanne M. Landry, James J. Devereaux,
Brian Dickie, and Gregory Brent Kilgore

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

March 10, 2025

Table of Contents

I. INTRODUCTION..... 1

II. SUMMARY 9

**III. KEY ISSUES RAISED IN THE DIRECT TESTIMONY OF DUDLEY,
WILLOUGHBY, AND DEVIRIGILIO AND THE DIRECT TESTIMONY OF
NIXON AND TROTTIER 12**

IV. BUSINESS PROCESS AUDIT IMPLEMENTATION..... 20

V. AUDIT ISSUES..... 26

VI. CAPITAL ADDITIONS..... 32

A. Reimbursable Plant Additions..... 33

B. Multi-Year Projects 41

C. Multi-Year Projects - Plant Additions After Step Adjustments..... 58

VII. RESPONSE TO CLAIMS ON SPECIFIC PROJECTS 62

A. Electric Vehicle Charging Stations 62

B. PowerClerk..... 66

C. Derry AWC Acquisition 70

D. NH Line Contractors 75

E. 11W1-Submarine Cable Replacement 75

F. EV Make Ready 77

G. Nashua AWC Renovation Projects 79

H. Millyard Substation Replacement..... 89

I. Distribution Fleet 93

J. LED Lighting Projects..... 95

VIII. 2024 CAPITAL ADDITIONS 99

IX. CONCLUSION 103

STATE OF NEW HAMPSHIRE

BEFORE THE NEW HAMPSHIRE PUBLIC UTILITIES COMMISSION

**JOINT REBUTTAL TESTIMONY OF LEANNE M. LANDRY,
JAMES J. DEVEREAUX BRIAN DICKIE AND GREGORY BRENT KILGORE**

**PETITION OF PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
d/b/a EVERSOURCE ENERGY**

REQUEST FOR CHANGES IN DISTRIBUTION RATES

March 10, 2025

Docket No. DE 24-070

1 **I. INTRODUCTION**

2 *Leanne M. Landry*

3 **Q. Please state your full name and business address.**

4 A. My name is Leanne M. Landry. My business address is 247 Station Drive, Westwood,
5 Massachusetts 02090.

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

7 A. I am the Director, Investment Planning for Eversource Energy Service Company (“ESC”).
8 In this capacity, I have direct oversight of the financial support function for the Operations
9 Group of Public Service of New Hampshire (“PSNH” or the “Company”), as well as
10 NSTAR Electric Company d/b/a Eversource Energy (“NSTAR Electric) and Connecticut
11 Light & Power Company (“CL&P”). I also work closely with the Director, Investment

1 Planning, Gas supporting the Gas Operations Group of NSTAR Gas Company (“NSTAR
2 Gas”), Yankee Gas Company (“Yankee”), and Eversource Gas Company of Massachusetts
3 (“EGMA”) each d/b/a Eversource Energy. In this capacity, I am responsible for developing
4 and monitoring business processes consistent with corporate financial and accounting
5 policies for key operations units. In addition, I oversee the development of accounting and
6 budget processes for capital-project cost oversight, including tracking of current and
7 projected costs and implementation of cost-control measures.

8 **Q. Please briefly summarize your educational background and business experience.**

9 A. I graduated from Bentley College (now Bentley University) in 1990 with a Bachelor of
10 Science degree in Accounting. I earned a Master of Business Administration from Bentley
11 College in 2002, with a concentration in Finance. In 2009, I completed a program with
12 Worcester Polytechnic Institute and received an Operations Management Leadership
13 Certificate. I am also a Certified Public Accountant in the Commonwealth of
14 Massachusetts. Upon graduation from Bentley, I was hired by Coopers & Lybrand
15 (“C&L”) (now PricewaterhouseCoopers) as an auditor within its Business Assurance
16 practice. While at C&L, I participated in and provided leadership to the audits of a variety
17 of companies, including public utilities.

18 I was hired at Boston Edison Company, the Company’s predecessor, as an internal auditor
19 in 1994. Subsequent to my time in Internal Audit, I have held roles of increasing
20 responsibility in Strategic Planning, Annual Planning and Budgeting, merger integration
21 support and Budgeting and Forecasting. In 2003, I assumed the role of Director,

1 Investment Planning and in 2008 my role expanded to include responsibility for performing
2 that role for the administrative support to the Electric Operations group. I was named to
3 my current position in 2012, following the merger of NSTAR and Northeast Utilities. In
4 January of 2014 my responsibilities were expanded to include Western Massachusetts. In
5 March 2015 my responsibilities were expanded to include CL&P and PSNH.

6 **Q. Have you previously testified before the New Hampshire Public Utilities**
7 **Commission?**

8 A. Yes, I have previously testified before the Commission in support of the Company's step
9 adjustments in Docket No. DE 19-057.

10 **Q. Have you previously testified before any other regulatory body?**

11 A. Yes, I have testified before the Massachusetts Department of Public Utilities and the
12 Connecticut Public Utilities Regulatory Authority numerous times, including base
13 distribution rate proceedings for the Company's affiliates.

14 *James J. Devereaux*

15 **Q. Please state your full name and business address.**

16 A. My name is James J. Devereaux. My business address is 780 North Commercial Street,
17 Manchester, New Hampshire.

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

19 A. I am employed by ESC as Manager of Budgets and Investment Planning. As the Manager
20 of Budgets and Investment Planning, I am primarily responsible for the financial reporting,

1 analysis and oversight of the Company's capital and O&M programs. I also monitor capital
2 projects throughout their life cycle and provide reporting on a monthly basis to review costs
3 and identify projects that need subsequent funding, following the projects original pre-
4 construction authorization approvals.

5 **Q. Please briefly summarize your educational background and business experience.**

6 A. I graduated from St. Michael's College with a Bachelor of Arts degree in Business
7 Administration in 1984 and from Bentley University with a Master of Business
8 Administration degree in 1992. I have worked for the Company since 1985 primarily in
9 the Gas Organization in Massachusetts with various roles of increasing responsibility
10 including Director of Gas Service and Supply from 2002 to 2011. Since then, I have
11 worked in Investment Planning in Massachusetts until assuming my current position in
12 2019.

13 **Q. Have you previously testified before the New Hampshire Public Utilities**
14 **Commission?**

15 A. Yes, I have previously testified before the Commission in support of the Company's step
16 adjustments in Docket No. DE 19-057.

17 **Q. Have you previously testified before any other regulatory body?**

18 A. Yes, I have previously testified before the Massachusetts Department of Public Utilities.

1 ***Brian Dickie***

2 **Q. Please state your full name and business address.**

3 A. My name is Brian Dickie. My business address is 780 North Commercial Street,
4 Manchester, New Hampshire.

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

6 A. I am employed by Eversource Energy as Vice President New Hampshire Electric System
7 Operations. In my role, my primary responsibility is management of New Hampshire
8 Transmission and Distribution (“T&D”) Grid operations.

9 **Q. Please briefly summarize your educational background and business experience.**

10 A. I graduated from the University of New Hampshire with a Bachelor of Science in
11 Engineering Technology and from Worcester Polytechnic Institute with a Master’s in
12 Electrical and Computer Engineering. I am a licensed professional engineer in the state of
13 New Hampshire. I have held various positions with Eversource over the last 35 years from
14 Fossil/Hydro Operations to distribution engineering and system planning and engineering
15 management. In 2015, I was promoted to Director of System Operations responsible for
16 transmission and distribution grid operations, outage management operations, and the
17 troubleshooter linemen department. In 2021, I was promoted to my current position as
18 Vice President of New Hampshire Electric System Operations.

1 **Q. Have you previously testified before the New Hampshire Public Utilities**
2 **Commission?**

3 A. Yes, I have sponsored testimony before the Commission in the 2017 Reliability
4 Enhancement Program Reconciliation and Request for Program Continuation, in Docket
5 No. DE 09-035.

6 **Q. Have you previously testified before any other regulatory body?**

7 A. No, I have not previously testified before any other regulatory body.

8 ***Gregory Brent Kilgore***

9 **Q. Please state your full name and business address.**

10 A. My name is Gregory Brent Kilgore. My business address is 780 North Commercial Street,
11 Manchester, New Hampshire.

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

13 A. I am employed by PSNH as Manager, Facilities Management, New Hampshire. In my
14 role, my primary responsibility is management of PSNH buildings as related to area work
15 centers (“AWCs”) and commercial office buildings and grounds, and construction as
16 related to buildings or site.

17 **Q. Please briefly summarize your educational background and business experience.**

18 A. I am a graduate from the National Association of Power Engineers Educational Foundation,
19 with a General Engineering diploma and Certified Supervising Engineering diploma, and
20 additionally completed a professional certificate in sustainability in existing buildings from

1 George Mason University. I'm a graduate from the Building Owners and Managers
2 Institute with the systems maintenance technician diploma, as well as a graduate from the
3 University of Maine with a Bachelors in Business Administration and a Masters in
4 Organizational Leadership. I'm also currently enrolling at South College's Doctor of
5 Business Administration program with an expected completion date of 2026. I have held a
6 State of Maryland 1st Class Stationary Engineers license, multiple trade licenses both
7 national for HVAC and local in New Hampshire for gas fitting, a Professional Facilities
8 Manager designation through the Professional Facilities Managers Institute, LEED GA
9 (Leadership in Energy and Environmental Design Green Associate) certification through
10 United States Green Building Counsel, Green Professional , Operations & Maintenance
11 through United States Green Building Counsel Connecticut Chapter.. I have held various
12 positions since 2003 such as Chief Operation Engineer for Kenwood Management located
13 in the Washington DC area, National Director of Education for the National Association
14 of Power Engineers, US Regional Manager of Real Estate and Workplace with Hitachi
15 Vantara. Board of Directors Secretary Chair, National Association of Power Engineers
16 District of Columbia 1st Chapter. In all positions I was charged with constructing,
17 maintaining buildings and sites. This also included facilities operations and business
18 management.

1 **Q. Have you previously testified before the New Hampshire Public Utilities**
2 **Commission?**

3 A. No, I have not previously testified before the New Hampshire Public Utilities
4 Commissions.

5 **Q. Have you previously testified before any other regulatory body?**

6 A. No, I have not previously testified before any other regulatory body.

7 **Q. To the panel, what is the purpose of your joint rebuttal testimony?**

8 A. The purpose of our rebuttal testimony is to respond to the direct testimony of the
9 Department of Energy (“DOE”) witnesses Jay E. Dudley, Ronald D. Willoughby, and
10 Joseph J. DeVirgilio in which they recommend that the Commission eliminate
11 approximately \$51.8 million of project costs from the Company’s proposed rate base, due
12 to perceived deficiencies in documentation, variances between initial budgeted amounts
13 and final project costs, and claims of inadequate planning, project management, and cost
14 control measures. In addition, our rebuttal testimony addresses accusations regarding the
15 Company’s commitments related to the business process audit (“BPA”) completed in
16 August 2023. Our testimony¹ also responds to the direct testimony of Elizabeth R. Nixon
17 and Jacqueline M. Trottier, in which they recommend that the Commission exclude costs
18 associated with LED lighting projects from rate base.

¹ We note that “our testimony” refers to the Testimony of Leanne Landry, James Devereaux, and Brian Dickie in the original Company filing made June 11, 2024. Gregory Brent Kilgore was not a part of that testimony.

1 **II. SUMMARY**

2 **Q. Please summarize the Company’s conclusions in this testimony.**

3 A. We have thoroughly reviewed all of the DOE testimony filed to this docket, and we
4 discovered a considerable number of errors or erroneous conclusions and noticed that in
5 several places the DOE inappropriately creates and applies standards of review that are not
6 accepted or acceptable in the utility industry to arrive at their recommended removal of
7 over \$50 million from the Company’s proposed rate base. This testimony identifies and
8 addresses those errors, explaining why disallowances are unwarranted and cost recovery
9 through base rates is appropriate. Specifically, the Company addresses the following:

- 10 • **Multi-year project disallowances unsupported:** The DOE has inappropriately added a
11 notion of “holistic review” of cost recovery that proposes the Company has to complete an
12 *entire project*, even if that project is multi-phased with many work orders supporting
13 project components that are going into service for the benefit of customers over a series of
14 several years. The DOE uses this holistic view to recommend nearly \$28 million in
15 disallowances. This is antithetical to utility ratemaking, accounting, construction, and cost
16 recovery. The standard for review of whether cost recovery is appropriate is whether the
17 investment was prudently incurred and is used and useful and available for the public
18 benefit. The Company’s project development, cost estimation and accounting processes
19 are designed with this standard in mind, including allowing only those assets that are
20 completed and used and useful to be proposed for inclusion in rate base, regardless of
21 whether the assets in service are a component of a larger project or series of projects. The
22 DOE’s proposed requirement of needing to complete the “entire project” before allowing
23 each individual (and used and useful) component to be eligible for cost recovery is contrary
24 to law and simply punitive because it denies cost recovery, even where the infrastructure
25 is in service and used and useful to customers. This could result in huge inefficiencies
26 where the utility is now in a position of having to turn each individual utility investment
27 into a separate project (i.e. each utility pole as a separate project) in order to meet this
28 arbitrary paperwork requirement. We urge the Commission not to adopt this new standard.
29
- 30 • **Indirect cost threshold inappropriate:** The DOE takes issue with the terms “indirect”
31 and “overhead” in relation to costs. Both the Final Audit report and DOE testimony take
32 issue with the level of these costs on certain projects and alleges that these costs are
33 escalating and recommends a cap of 35% on such costs and that the Commission launch
34 an investigation into the Company’s treatment of such costs. This view mistakes indirect
35 costs as somehow of lesser importance than direct costs, which is untrue. Indirect costs

1 are as essential to a project as direct costs. It is only the case that these costs are allocated
2 to projects in a different manner because the costs are incurred and applied across a number
3 of projects (i.e., engineering staffing and vehicle costs) and are not dedicated to a single
4 project like a transformer would be. Note that, if the *same costs* were incurred by a third
5 party, those costs would be assigned to the project as direct costs. Therefore, *no threshold*
6 for these costs is feasible or appropriate. Nor is a study into the Company's treatment of
7 these costs warranted. The Company recently participated in an extensive and intensive
8 Business Process Audit that lasted over two years and looked at all aspects of the capital
9 planning and budgeting process. In this docket, the Company and the DOE dedicated a
10 full technical session to discussing the findings, recommendations, and process
11 improvements resulting from that audit. If there were a rampant problem within the
12 Company regarding indirect costs, it would have been identified and addressed during this
13 process. The DOE is concocting a problem that does not exist, and the recommendation
14 about a threshold for indirect costs should be disregarded.
15

16 • **Specific Capital Project Disallowances in Error:**

- 17 ○ Electric Vehicle Charging Stations: These charging stations installed at two
18 Company locations are available to employees and visitors and are not an
19 unreasonable luxury but a reasonable employee benefit consistent with the State
20 of New Hampshire's own policy for its employees and appropriate for recovery in
21 rates.
- 22 ○ PowerClerk: This capital investment made during the test year is not appropriate
23 for recovering through interconnection application fees that were just implemented
24 on December 1, 2024. DOE's own position in Docket No. DE 22-060 and the joint
25 utilities' response to that position made it clear that revenues from base rates from
26 the Company's most recent test year *plus* the revenue collected from fees are to
27 cover *incremental* costs for administering net metering from the year immediately
28 preceding the annual reconciliation of the fee revenue. The \$3 million in
29 PowerClerk implementation costs are not appropriate and could not, as a practical
30 matter, be recovered through these fees.
- 31 ○ Derry AWC: Replacement value of the property is not irrelevant as the DOE
32 claims, nor did the Company agree to the purchase price under duress. The deal
33 was made at arm's length and took into account the necessary relevant factors to
34 determine whether the purchase price is reasonable and the Company should
35 recover all \$3.6 million in base rates.
- 36 ○ NH Line Contractors: The Company disputes the arguments raised by DOE but
37 due to an accounting error, the Company plans to remove the costs of this project.
- 38 ○ 11W1 Submarine Cable Replacement: DOE inappropriately argues that the plant
39 additions for this project should be disallowed because plant under the same
40 project number was already placed in service. No party disputes that the plant

1 additions are in service, used, useful and prudently incurred, and therefore should
2 be included in rate base.

- 3 ○ Electric Vehicle Make Ready: The Company spent \$114,601 in reimbursing
4 customer costs, and \$138,115 was invested in Company-owned assets for that
5 same project, for a total of \$252,716 of Commission-approved, recoverable make
6 ready costs. It's not clear how the DOE arrived at its recommended level of
7 disallowances and the Company disagrees that any disallowances are warranted.
- 8 ○ Nashua Work Center Renovation: The Company made a reasonable decision in
9 its selection of the contractor for general construction work for each project of the
10 renovation, and so the project costs incurred are prudent and should be recovered
11 through rates in their entirety.
- 12 ○ Millyard Substation Replacement: The decision of the Company to remediate both
13 the former and the current property of contamination when the City of Nashua
14 refused to do so was reasonable in the overall context of the deal and resulted in a
15 prudent investment, so no disallowances are warranted.
- 16 ○ Distribution Fleet: Jobsite Energy Management Systems "JEMS" are not EVs, but
17 rather electric devices installed on diesel trucks so that the trucks don't have to idle
18 for crews to conduct their work, which provides numerous health and safety
19 benefits, and complies with the New Hampshire anti-idling regulation. This was
20 a prudent investment, there is no evidence to the contrary. As a result, these costs
21 should not be disallowed.
- 22 ○ LED Lighting Projects: The DOE's recommendation to use RSA 125-O funds to
23 retroactively pay for the remaining costs of these projects that weren't paid for by
24 those funds already, is inconsistent with the purpose of the funds to be applied to
25 planned energy efficiency measures rather than historical measures. DOE's
26 recommendation would also result in a 100% incentive for those projects, which
27 is inconsistent with all commercial energy efficiency programs and disfavored by
28 the Commission. The Company utilized the appropriate level of RSA 125-O
29 funding and should be able to recover the remaining costs in base rates.
- 30 • **2024 Capital Additions**: Consistent with the Company's plans in this proceeding, the
31 Company is submitting its 2024 Capital Additions project documentation. The Company
32 proposes to reflect the 2024 Capital Additions in permanent rates following a review of the
33 prudence of the investments based on a procedural schedule to be established.

1 **III. KEY ISSUES RAISED IN THE DIRECT TESTIMONY OF DUDLEY,**
2 **WILLOUGHBY, AND DEVIRIGILIO AND THE DIRECT TESTIMONY OF**
3 **NIXON AND TROTTIER**

4 **Q. Have you reviewed the direct testimony of Jay E. Dudley, Ronald D. Willoughby, and**
5 **Joseph J. DeVirgilio?**

6 A. Yes, we have reviewed the joint testimony of Jay E. Dudley, Ronald D. Willoughby, and
7 Joseph J. DeVirgilio (“DOE Capital Additions Panel”).

8 **Q. Please summarize the principal issues raised in the DOE Capital Additions Panel**
9 **testimony with respect to the Company’s proposed capital additions and the**
10 **Company’s high level assessment of that testimony.**

11 A. The Department of Energy (“DOE”) recommends that the Commission disallow
12 approximately \$51.8 million of the Company’s proposed rate base of \$1.85 billion. As
13 explained below, overall, the vast majority of these recommendations are either in error,
14 unfounded and unsupported, rely on inappropriate or invented standards otherwise
15 inapplicable to utility ratemaking, or a combination of the three. The DOE Capital
16 Additions Panel recommends disallowances of plant additions, shown in Table-Rebuttal-
17 1, below. The DOE Capital Additions Panel grouped the plant additions into four
18 categories that they misleadingly label: (1) Reimbursable Projects (i.e., plant additions
19 where some of the costs are reimbursed by customers); (2) Incomplete Projects (i.e., plant
20 additions undertaken under a multi-year project); (3) Step Adjustment Projects (i.e., plant
21 additions under a project that also had plant additions included in a step adjustment); and
22 (4) Permanent Disallowances (i.e., a select group of plant additions that DOE claims should
23 be disallowed).

1
2

**Table Rebuttal-1:
Summary of Plant Disallowances²**

Year	Project ID	Project	Recommended Disallowance	DOE Bates Page(s)
Reimbursable Projects (i.e., plant additions where some of the costs are reimbursed by customers)				
2022	DG9R	DG Field Design & Const.	\$83,567	21-24
2023	DG9R	DG Field Design & Const.	\$76,831	
2023	A22N30	Gillford Comcast Billable	\$23,842	
2023	A23N04	Comcast Belmont	\$78,576	
2023	A21N33	Laconia Comcast Billable	\$140,699	
2023	PW9R	Private Work-NH	\$532,123	
2023	A21S30	NHDOT PROJ 1306-365	\$109,790	
Incomplete Projects (i.e., plant additions undertaken under a multi-year project)				
2022	A19S40	Amherst S/S P&C Upgrades	\$4,510,082	24-29
2023	A19S40	Amherst S/S P&C Upgrades	\$213,112	
2022	A20X21	Distribution Management System	\$7,106,869	
2023	A20X21	Distribution Management System	\$585,943	
2022	A20W18	3410 317 Reconstruction Phase 1	\$1,210,783	
2023	A20W18	3410 317 Reconstruction Phase 1	\$6,486	
2022	A22W20	42X3/44H1 Extend 34.5kV	\$76,743	
2023	A22W20	42X3/44H1 Extend 34.5kV	\$74,359	
2022	A21C20	322X14 Circuit Offload	\$20,341	
2023	A21C20	322X14 Circuit Offload	\$1,346	
2023	A23W55	SMART Inspect Reliability	\$7,344,708	
2023	A22W26	317/3410 Recon Roby Rd	\$2,112,059	
2023	A23CCI	CCI Reject Pole	\$1,481,864	

² (DOE Capital Additions Panel at Bates Pages 21, 24, 29, and 33).

		Replacement		
2023	23707	PSNH D Electric Building	\$1,033,235	
2023	A22C83	Manchester Network Cable	\$966,438	
2023	ML2304	2023 PSNH D ML	\$499,527	
2023	NHENGCOM	Field Engineering Com	\$289,978	
2023	A22E43	Great East Lake Pole Replacement	\$210,577	
2023	A23W17	42X3-316X1 Circuit Tie	\$8,810	
2023	A23C60	SMART Inspect Reliability Central	\$6,359	
2022	A21X84	RF Site Alarm & Monitoring	\$70,306	
2023	A21X84	RF Site Alarm & Monitoring	\$31,160	
Step Adjustment Projects (i.e., plant additions under a project that also had plant additions included in a step adjustment)				
2022	A20C24	Install Step Trans Rte 13 Goffs	\$65,402	29-32
2023	A20C24	Install Step Trans Rte 13 Goffs	\$496	
2022	A14W01	Emerald Street Substation	\$23,106	
2022	21772	PSNH-D LED Lighting Replace	\$20,948	
2022	A20C23	335X1 Extend 19.9 kV to Bow	\$47,507	
2022	A20C40	Manchester Network Cable	\$382,219	
2023	A20C40	Manchester Network Cable	\$6,651	
2022	A21LS	Distribution Auto Line Sensor	\$139,489	
2023	A21LS	Distribution Auto Line Sensor	\$1,027	
2022	A21N32	Laconia Comcast Nonbillable	\$177,792	
2023	A21N32	Laconia Comcast Nonbillable	\$(1,267)	
2022	A21N34	Gilford Comcast Nonbillable	\$297,498	
2023	A21N34	Gilford Comcast Nonbillable	\$281	

2022	NHEDVH20	NH Elect Dist Vehicle Purchase	\$5,426	
2022	NHEDCH21	NH Elect Dist Vehicle Purchase	\$78,657	
2023	NHEDCH21	NH Elect Dist Vehicle Purchase	\$(52,570)	
2022	NHTRN21	NH Training Annual Capital Project	\$53,221	
2022	20755	Bow Mobile Substation	\$69,098	
2022	A17E01	Rye Area 4kV Study	\$44,171	
2022	20715	PSNH-D ML 2020 LOB	\$26,105	
2023	A19W56	317 Line Construction	\$158,489	
2022	A17E09	Rochester 4kV Conversion	\$1,874,861	
2022	A20N15	Circuit Tie 43W1	\$216,578	
Permanent Disallowances (i.e., a select group of plant additions that DOE claims should be disallowed)				
2023	23769	Install EV Charging Stations	\$219,996	33-35
2023	23726	Nashua EV Charging Stations	\$91,743	33-35
2023	IT22447	Distributed Energy Resource Customer Portal (PowerClerk)	\$2,964,142 ³	35-37
2022	22797	Derry AWC Acquisition	\$1,350,000	38-43
2022	NHLC03	NH Line Contractors	\$427,841 ⁴	43-45
2022	A16N01	11W1-Replace Submarine Cable	\$74,810	46-47
2023	EV23009	NH EV Make Ready	\$139,786	47-48

³ DOE Capital Additions Panel mistakenly lists the Company’s total reported costs of \$3,053,670 instead of requested plant in service (i.e., the amount the Company requests to reflect in rate base) in Table 4 on Bates Page 33 of their testimony.

⁴ DOE Capital Additions Panel mistakenly lists the Company’s total reported costs of \$639,741 instead of requested plant in service (i.e., the amount the Company requests to reflect in rate base) in Table 4 on Bates Page 33 of their testimony.

2021	19720	Nashua AWC Construction	\$8,427,374 ⁵	49-54
2022	19720	Nashua AWC Construction	\$38,034	49-54
2023	217108	Nashua Front Office Reno	\$1,779,619 ⁶	54-55
2023	22743	Nashua Front Office-MEP	\$874,677 ⁷	55-56
2021	A17S03 ⁸	Millyard SS Replacement	\$290,499	57-59
2022	NHEDVH22	2022 NH Electric Dist Fleet	\$1,247,000	60-62
2023	NHEDVH23	2023 NH Electric Dist Fleet	\$1,202,379	60-62
		Total	\$51,669,598⁹	

1 In direct testimony, the DOE Capital Additions Panel recommended disallowance of
2 \$1,045,428 for projects that were designated as reimbursable (shaded in yellow in Table
3 Rebuttal-1, above), but this recommendation is based upon erroneous assumptions. DOE
4 also acknowledged that the Company has already agreed to remove certain reimbursable
5 distributed generation projects from inclusion in rate base, since these projects are 100
6 percent reimbursable consistent with RSA 362-A:9 (DOE Capital Additions Panel at Bates
7 Pages 23-24). DOE, however, recommends that all projects which were identified as
8 “reimbursable” or “100% reimbursable” be removed from rate base, since DOE believes

⁵ DOE Capital Additions Panel mistakenly lists the Company’s total reported costs of \$8,642,879 instead of requested plant in service (i.e., the amount the Company requests to reflect in rate base) in Table 4 on Bates Page 33 of their testimony.

⁶ DOE Capital Additions Panel mistakenly lists the Company’s total reported costs of \$1,892,354 instead of requested plant in service (i.e., the amount the Company requests to reflect in rate base) in Table 4 on Bates Page 33 of their testimony.

⁷ DOE Capital Additions Panel mistakenly lists the Company’s total reported costs of \$921,026 instead of requested plant in service (i.e., the amount the Company requests to reflect in rate base) in Table 4 on Bates Page 33 of their testimony.

⁸ DOE Capital Additions Panel inadvertently listed the project number for the Millyard Substation Replacement as A178S03, instead of A17S03.

⁹ The total of recommended disallowances varies from the DOE Capital Additions Panel due to the DOE Capital Additions Panel mistakenly overstating the amounts that the Company requested for inclusion in rate base.

1 that the full cost of the projects will be offset once a reimbursement is received, reducing
2 the rate base to \$0 (DOE Capital Additions Panel at Bates Pages 22). However, this and
3 other assumptions DOE makes about reimbursable projects are incorrect, which is
4 discussed in more detail below.

5 With regard to the multi-year projects (shaded in blue in Table Rebuttal-1, above), the DOE
6 Capital Additions Panel asserts that the Commission should disallow all costs for these
7 projects and defer recovery to the Company's next rate case (DOE Capital Additions Panel
8 at Bates Pages 28), which varies from long established practices and standards of utility
9 rate making and cost recovery. According to DOE, the Company indicated in its variance
10 explanations for why actual costs varied by more than 20% from the original authorized
11 budget that the listed projects were "Multi-year project not yet complete" (DOE Capital
12 Additions Panel at Bates Page 25). DOE asserts that its interpretation of the legal standard
13 for whether plant is in service and used and useful is based on RSA 378:30a, which does
14 not allow rates to be based upon construction work in progress ("CWIP") (DOE Capital
15 Additions Panel at Bates Page 25). DOE explains that the DOE has "a holistic view" of
16 cost recovery, and so interprets the restrictions on including CWIP in rate base requires
17 that projects as a whole must be fully complete to be included in rate base, regardless of
18 whether portions of that project are used and useful for public service, and the costs
19 prudently incurred (DOE Capital Additions Panel at Bates Page 25). DOE argues that it is
20 too onerous to review whether portions of projects are complete and in service, and it
21 prefers its "holistic approach" so it can review multi-year projects when they are entirely

1 complete (DOE Capital Additions Panel at Bates Page 28). The alleged plant that is not
2 yet recoverable according to DOE (but undisputably in service) totals \$27,858,763 (or
3 about 54 percent of the total amount recommended by DOE for disallowance) (DOE
4 Capital Additions Panel at Bates Page 24).

5 With regard to the multi-year projects with plant additions previously approved through
6 the step adjustments (shaded in white in Table Rebuttal-1, above), DOE asserts that any
7 additional plant additions following the step adjustments should be disallowed under
8 DOE's same theory that portions of projects cannot be included in rate base until the full
9 project is complete (DOE Capital Additions Panel at Bates Pages 31-32). DOE takes the
10 retrospective view that had it known there would be additional invoices or plant placed in
11 service under the same project number, it would have recommended deferring review of
12 all plant under the project until this rate case because under DOE's interpretation, the
13 project was not complete (DOE Capital Additions Panel at Bates Page 32). Therefore,
14 based on what it would have done differently in a past, closed proceeding, and despite this
15 utility plant being placed in service during the test year, DOE recommends that the
16 Commission find that the projects that were included in the step adjustments be found
17 "complete and used and useful as of 2021" and additional plant placed in service following
18 2021 under the same project numbers be permanently disallowed as "not properly added
19 to plant-in-service in compliance with the used and useful standard or RSA 378:a" (DOE
20 Capital Additions Panel at Bates Page 32). Despite this departure from the facts, DOE
21 claims that including "additional" plant would "overstate" rate base and not result in just

1 and reasonable rates, and therefore, the Commission should disallow the plant additions
2 totaling \$3,635,185 (or seven percent of the total amount recommended by DOE for
3 disallowance) (DOE Capital Additions Panel at Bates Page 32). We disagree with
4 argument in its entirety.

5 Finally, the DOE Capital Additions Panel recommends permanently disallowing costs
6 from particular projects (shaded in green in Table Rebuttal-1, above) that they claim were
7 not prudently incurred, or should be in one instance, recovering elsewhere that would not
8 in reality work, effectively creating a permanent disallowance. DOE offers varying reasons
9 for disallowing costs for each project and we address each project below. DOE
10 recommends disallowing \$19,765,883 for the identified projects.¹⁰

11 **Q. Have you reviewed the direct testimony of Elizabeth R. Nixon and Jacqueline M.**
12 **Trottier?**

13 A. Yes, we have reviewed the joint testimony of Elizabeth R. Nixon and Jacqueline M.
14 Trottier.

15 **Q. Please summarize the principal issues raised in the Nixon and Trottier testimony with**
16 **respect to changes to the Company's proposed rate base, and the Company's overall**
17 **impression of the recommendations of that testimony.**

18 A. Nixon and Trottier recommend that the Commission exclude two projects (Project No.
19 217129 - 55 W. Brook St. and Project No. 21784 - 73 W. Brook St) from rate base (Nixon
20 and Trottier Testimony at Bates Pages 10-11). The projects involve the installation of LED

¹⁰ As noted above, DOE mistakenly included the Company's total expenditures rather than the plant in service amount for inclusion in rate base, thereby overstating the amount of rate base by \$637,983.

1 lighting at the Company's facilities in Manchester, NH. The Company offset the cost of
2 the project using energy efficiency funding consistent with RSA 125-O. Nixon and Trottier
3 argue that the Company should apply additional energy efficiency funds to offset the full
4 cost of the LED lighting projects and remove \$499,033 from rate base (Nixon and Trottier
5 Testimony at Bates Pages 10-11). We find this conclusion to be flawed for reasons we
6 detail below.

7 **IV. BUSINESS PROCESS AUDIT IMPLEMENTATION**

8 **Q. Has the Company integrated the recommendations of the BPA?**

9 A. Yes. The Company has integrated the 25 BPA recommendations into its processes on a
10 going forward basis and as applicable.

11 Section 3.2 of the Settlement Agreement approved by the Commission in Docket No. DE
12 19-057 committed the Company to engage in a BPA to review the Company's capital
13 authorization and budgeting processes and assist in developing templates for project
14 documentation in a rate proceeding, among other objectives. The BPA was agreed to as a
15 way to address allegations made by the DOE regarding the quality of the Company's
16 capital project documentation presented for recovery in a regulatory proceeding
17 (Settlement Agreement, § 3.2, Docket No. DE 19-057, Tab 125). The Company invested
18 approximately \$420,000 for the consultant to conduct the audit and fully committed its
19 resources to the audit process. For example, the Company responded to 224 data requests;
20 participated in approximately 50 interviews and panel discussions; and hosted several field
21 visits.

1 The DOE’s third-party auditor, River Consulting Group, provided input regarding several
2 aspects of the Company’s capital-planning processes and the BPA Report provided
3 25 recommendations for improving the Company’s documentation and communication in
4 relation to its capital approval process. River Consulting Group acknowledged on page 9
5 of the BPA report that these recommended actions would require commitment from *all*
6 parties to structural change and constructive collaboration and communication to avoid
7 unneeded delays in proceedings. The Company accounted for all 25 BPA
8 recommendations and integrated them into its processes on a going forward basis and as
9 applicable. In response to a data request, the Company provided DOE with a status update
10 and supporting documentation if applicable, of the Company’s implementation of or
11 response to each BPA recommendation. Please see Attachment ES-ADDITIONS-
12 Rebuttal-1 for the data request response and attachments.

13 The DOE Capital Additions Panel acknowledges that the Company adopted or is in the
14 process of adopting most of the BPA recommendations (DOE Capital Additions Panel at
15 Bates Page 16). DOE found that the Company’s Project Authorization Forms (“PAFs”)
16 include more content and analysis involving project alternatives and risk mitigation (DOE
17 Capital Additions Panel at Bates Page 16-17). DOE also noted the Company also has
18 clarified the use of terms, including “supplemental”, “pre-construction estimates”, and
19 “full funding authorizations.” (DOE Capital Additions Panel at Bates Page 17). DOE
20 remarked that the Company improved its capital planning and review process, including
21 enhanced peer review (DOE Capital Additions Panel at Bates Page 17). The DOE Capital

1 Additions Panel, however, expressed concern that the process may not be addressing
2 “deficiencies found with certain projects” since they claim “legacy problems with cost
3 control and project scoping continue to persist” (DOE Capital Additions Panel at Bates
4 Page 17). DOE does not define the alleged deficiencies that they attribute to the peer
5 review process other than a general statement that “indirect expense rates continue to be
6 the main driver behind most cost overruns” and the supplemental review process is
7 providing “little or no scrutiny” of the indirect costs (DOE Capital Additions Panel at Bates
8 Page 17).

9 The DOE Capital Additions Panel also claims the Company has not embraced the need for
10 clearer communications because the rate case filing and discovery process produced
11 several large PDF files (DOE Capital Additions Panel at Bates Page 17). In particular,
12 DOE claims that Attachment ES-ADDITIONS included as part of the Company’s original
13 filing in this case (“Original Filing”) did not contain an index (DOE Capital Additions
14 Panel at Bates Page 17). The DOE Capital Additions Panel also alleges that the Company
15 may not be committed to adopting the BPA recommendations based on two letters filed in
16 response to the BPA Report in August 2023, raising concerns about transparency and
17 accuracy of the report filed by DOE (DOE Capital Additions Panel at Bates Page 18).

18 This is despite the tremendous efforts made by the Company after the BPA report was
19 finalized to implement its recommendations, up to and including a three-hour technical
20 session during this proceeding in addition to those in the procedural schedule for this

1 docket that was just for the DOE and devoted exclusively to the Company's
2 implementation of the BPA, during which both DOE staff and River Consulting staff
3 thanked Company staff multiple times for their thoroughness with the data request
4 response. As a result, we are surprised to learn of the "concerns" of the DOE Capital
5 Additions panel given DOE and River Consulting's expressions to the contrary in this
6 proceeding. And it's worth noting that the BPA report was not finalized until well into the
7 Company's test year for this docket, so it's arguably premature to draw any conclusions
8 about the Company's commitment to implementing the BPA changes.

9 **Q. Does the Company agree with DOE that some project documentation provided in this**
10 **proceeding did not fully incorporate all the BPA recommendations?**

11 A. While we strongly disagree with DOE's claims of project deficiencies and lack of cost
12 containment and rigor in the capital approval process,¹¹ we do acknowledge that some
13 project documentation provided in this proceeding may not include all the
14 recommendations of the BPA. As noted above, the BPA report recommendations were
15 finalized after August 2023. The PAFs and capital documentation provided in this
16 proceeding were for capital additions placed in service during 2019, 2020, 2021, 2022, and
17 2023, almost all prior to the finalization of the BPA. While the Company did begin
18 implementing some anticipated recommendations prior to August 2023, DOE's

¹¹ As discussed below, even DOE's recommended disallowances of capital costs do not support its assertion. The majority of DOE's recommended disallowances do not question the prudence of the investment, nor the approval process for projects started after the BPA.

1 expectation of full achievement of recommendations prior to August 2023 is not
2 reasonable.

3 The Company is committed to continuing to enhance its project documentation based on
4 constructive feedback from DOE, including discussion had at the BPA technical session;
5 however, such enhancements take time to put in place and have been implemented for new
6 project approvals. Many projects that will be included in subsequent requests for inclusion
7 in rate base have already begun or possibly completed the project authorization process.
8 Accordingly, any additional enhancements will be noticeable gradually, in PAFs and other
9 capital documentation in the future and will not be reflected in projects already underway.
10 But that doesn't mean the Company has in any way disregarded the BPA's
11 recommendations.

12 The Company also notes that, contrary to DOE's assertion that the capital additions
13 approval process has not improved budget estimates, the modifications to the PAF process
14 due to internal changes along with the BPA has resulted in a reduction in the number of
15 supplemental budget requests. The table below lists the number of specific projects
16 approved each year and the number of supplemental budget approvals.

Year	# of specific projects	# of supplements
2019	48	21
2020	57	18
2021	66	0
2022	95	8
2023	91	3
2024	84	3

1 **Q. Does the Company agree with DOE's assertions regarding the lack of an index for**
2 **capital additions documentation?**

3 A. No. DOE's assertion that an index was not provided is both false and emblematic of
4 certain of DOE staff's baseless assertions and unwillingness to acknowledge information
5 that does not comport to preconceived notions, which has functioned as a barrier
6 throughout this matter. The Company was fully aware of the volume of project
7 documentation provided in this proceeding and included a page number index for each
8 project listed in our testimony in the initial filing. In addition, during this proceeding, the
9 Company pointed the DOE to exactly where to find the index as part of the initial filing.
10 Specifically, each project is listed in the Company's Original Filing, Attachments ES-
11 ADDITIONS-2(a) through ES-ADDITIONS-2(f). In column B of the Original Filing,
12 Attachments ES-ADDITIONS-2(a) through ES-ADDITIONS-2(f) there is a page
13 reference index to the supporting documentation associated with each project. The
14 Company provided DOE with the Excel versions of these attachments for ease of review
15 and use of the index. We also provided DOE with the attachments to our testimony as
16 separate files, as well as an updated index in Original Filing, Attachments ES-
17 ADDITIONS-2(a) through ES-ADDITIONS-2(f) with an additional column providing
18 both the attachment's page reference (included in the initial filing) and a bates page
19 reference. During a technical session, the DOE consultants thanked the Company for
20 providing the index with the bates page references and indicated that it was helpful. Please
21 refer to Attachment ES-ADDITIONS-Rebuttal-2 for the Company's response to DOE
22 with an explanation of the index and attachments. It is unclear why the DOE continues to

1 suggest that an index wasn't provided, despite the Company's best efforts to provide one
2 with the original filing and then to further explain exactly where to find the index.

3 **V. AUDIT ISSUES**

4 **Q. Did the DOE Capital Additions Panel raise any issues identified in DOE's Final Audit**
5 **Report that concern the Company?**

6 A. Yes, there is one issue. On January 31, 2025, DOE's Audit Staff completed its financial
7 audit of the Company's books and records. Company staff worked closely with Audit's
8 staff and the Company appreciates the Audit Staff's thorough efforts and communication
9 throughout the audit process. Audit Staff's limited unresolved issues reflect that the
10 Company maintains sound financial records and employs valid and supportable accounting
11 practices. For the few issues that were identified, the Company was able to work with the
12 Audit Staff to identify and correct any errors.¹² Of the remaining, very limited issues that
13 were unresolved during the audit process, it is imperative to correct the conclusions made
14 surrounding the issue of "indirect/overhead" costs.

15 The DOE has reached some improper conclusions about capital project "indirect" or
16 "overhead" costs that need rectifying, as these costs are equally essential to project work.
17 Both the DOE Capital Additions Panel and the DOE's Final Audit Report make a
18 fundamental mischaracterization of indirect or overhead costs included with capital
19 projects as if those costs are somehow less legitimate or essential to the project. This is

¹² The issues raised in the Final Audit Report are addressed in the Rebuttal Testimony of Ashley Botelho and Sasha Lazor.

1 reflected by DOE’s focus on the percentage of indirect costs compared to total project costs
2 for a given project (Final Audit Report at 166-168) and by the notably vague references to
3 “increases” and “escalations” of indirect costs and rates in testimony that concern the
4 Department (DOE Capital Additions Panel Testimony at Bates Pages 13, 17, 39, 45, and
5 84-85). These statements are based on invalid and unsubstantiated assumptions and faulty
6 premises that lead to DOE’s erroneous conclusion that the level of the Company’s indirect
7 costs in general, as well as with particular capital projects in the test year, are unreasonable
8 or imprudent, which they are not.

9 First, the claim that indirect costs are escalating is without basis or even any reference
10 point. The DOE Capital Additions Panel testimony incorrectly characterizes the Final
11 Audit Report by asserting that the concern is with “increasing” or “escalating” indirect
12 costs—the Report makes no reference to an increase or escalation. And to the extent that
13 the DOE Capital Additions Panel testimony itself is asserting an increase or escalation of
14 indirect costs, it never explains or even provides a reference point on which it bases its
15 assertion that indirect costs have “increased” or “escalated” (id.). The DOE’s assertion of
16 an increase to indirect costs is not tethered to anything. The reason why DOE has not
17 received a “satisfactory answer” to the question of why indirect costs are increasing. (id.
18 at 13) is because DOE has never demonstrated that indirect costs are escalating, or in
19 relation to what they are escalating.

1 **Q. Please explain the Company’s concerns with DOE’s statements regarding increasing**
2 **indirect costs.**

3 A. In addition to this claim having no support, if indirect costs were to increase, there is
4 nothing inherently inappropriate with that—indirect costs are equally susceptible to
5 fluctuations as direct capital costs. The DOE provides no explanation as to why the alleged
6 increase to indirect costs is concluded to be an “unfounded increase” and makes the
7 inference that *any* increase to indirect costs is inherently imprudent, which lacks any logical
8 foundation. So, while the Company disagrees with DOE’s characterization of escalating
9 indirect costs, the Company takes exceptional issue with the implication that an increase
10 to indirect costs is inherently imprudent, especially given the backdrop of historic inflation
11 and dramatic supply chain price increases seen during the test year.

12 The DOE Capital Additions Panel testimony also mischaracterizes the Final Audit Report
13 Issue #3 as concern with PSNH’s indirect costs applied to *all* capital projects (*id.*). The
14 Report cited five projects with which it was concerned, which is certainly not indicative of
15 a rampant systemic problem. However, the concern of Audit Staff with those five projects
16 is misplaced as well, and we would like to address that. The Final Audit Report
17 demonstrates a different and equally critical misunderstanding of indirect costs by
18 arbitrarily assigning 35% as the maximum threshold for what should be considered
19 reasonable for indirect costs.

1 **Q. Why is the 35% threshold for indirect costs in the Audit Report inappropriate?**

2 A. Audit Issue #3 “Project Additions Overhead” (Final Audit Report at 166) is mistakenly
3 rooted in the notion that there should be *any* threshold or maximum percentage of project
4 costs that are due to indirect costs because again, this assumes that indirect costs are less
5 necessary or appropriate than direct costs, and this is fundamentally untrue. Neither is the
6 proportion of direct to indirect costs an appropriate indicator of whether the indirect costs
7 are reasonable and prudent. Perhaps this is an issue of semantics, and the word “indirect”
8 has given the impression that the costs are less relevant or valid in relation to the project to
9 which they are applied.

10 The Company tried to address the possible issue with using the term “indirect” in its
11 comments on the draft audit report, which appear at page 168 of the Final Audit Report.
12 The Company pointed out that indirect costs are “driven primarily by the Engineering and
13 Supervision (E&S) and vehicle charges that . . . are not readily identified to a specific
14 project work order” and that “in many ways, *E&S allocated charges should be considered*
15 *a direct cost, as all projects require engineering and/or vehicle charges*. If our engineering
16 resources and construction were outsourced, these exact same costs would be a direct cost
17 to the project via a third-party invoice.” Nonetheless, the Final Audit Report’s conclusion
18 was that indirect costs “should be under 35% of the project cost” and that “[t]he Company
19 going forward should try and keep overhead costs on capital projects to a minimum.”
20 Again, no reason is given as to *why* indirect/overhead costs should be minimized and there
21 is no support for the selection of 35% as a threshold. Both conclusions are unfounded and

1 would be an improper standard on which to base the prudence of indirect costs, and indeed
2 disallowances based on either of these conclusions would be arbitrary.

3 **Q. Explain how indirect costs are different than direct costs.**

4 A. We want to be abundantly clear—indirect/overhead costs are indistinguishable from direct
5 costs in terms of validity. The Company explained to DOE more than once that the primary
6 driver of indirect costs is engineering and other necessary staff - these costs are as essential
7 to any project as the distribution grid assets themselves. In fact, as noted in the Company’s
8 comments to the Final Audit Report, if certain indirect costs were incurred by third-party
9 contractors rather than internal company resources, *those same costs would be billed as*
10 *direct costs*. DOE’s false distinction of cost legitimacy based on the designation of “direct”
11 or “indirect” cannot be relied upon, as it would allow for the arbitrary disallowance of
12 legitimately and prudently incurred costs, the recovery of which is constitutionally
13 protected.

14 The same standard of prudence must apply to both types of costs, which means the focus
15 should be on what the indirect costs are and whether they were reasonably incurred in
16 service of the given project. The Company has provided DOE with ample support
17 justifying indirect costs for its capital projects during the test year. Please refer to
18 Attachment ES-ADDITIONS-Rebuttal-3 for overheads policy descriptions which provides
19 an explanation of the components of overhead costs by cost element including their
20 definitions and how they are calculated. DOE cannot lawfully apply an arbitrary standard
21 of prudence solely based on the application of the word “indirect” in relation to costs, which

1 ignores what those costs are actually comprised of and whether the costs were reasonably
2 incurred. This flouts of over a century of established precedent on utility cost recovery
3 both in New Hampshire and across the country. The Company has a right to recover
4 prudently incurred indirect costs, regardless the amount of the costs or the percentage of
5 the total project costs they comprise. Establishing an arbitrary percentage cap on allowable
6 indirect costs is akin to establishing an arbitrary prudence standard for indirect costs, such
7 that even prudently incurred costs would not be allowed for recovery if they happened to
8 exceed the arbitrary percentage cap.

9 **Q. Do the Company's treatment of indirect costs warrant the requested additional audit**
10 **proposed by DOE?**

11 A. Absolutely not. The DOE Capital Additions Panel calls for an intensive audit and
12 Commission investigation into the Company's indirect costs as a solution in search of a
13 problem and would result in incurring unnecessary costs for utility customers. As
14 discussed above, the Company was thoroughly transparent about its indirect costs in both
15 the description of those costs and how they were calculated. The Company abides by the
16 long-established standards of demonstrating prudence. Moreover, the Company has
17 already participated in the DOE's business process audit, conducts numerous annual
18 internal audits, and is subject to annual scrutiny by our external auditors, none of which
19 have identified any material weakness in relation to our indirect cost allocation or tracking
20 processes.

1 The basis of the DOE Capital Additions Panel recommendation that the Commission
2 should launch an investigatory docket devoted to ferreting out its root causes of indirect
3 costs is perplexing. Inexplicably the DOE Capital Additions Panel testimony fixates on
4 either stale misgivings addressed by the business process audit or invents “long-standing”
5 concerns of the Department about problematic trends that do not exist. We would ask that
6 the Commission look at the Company’s efforts in this docket: its filings, its testimony and
7 supporting materials painstakingly developed, and the participation of its staff, all
8 demonstrating unwavering good faith commitment to transparency and candor with both
9 the Department and the Commission before heeding the Department’s recommendations
10 of an intensive audit based on flawed and invented standards or an investigation into
11 entirely legitimate project costs reasonably and prudently incurred.

12 **VI. CAPITAL ADDITIONS**

13 **Q. What is your understanding of what capital costs may be included in rate base**
14 **reflected in distribution rates?**

15 A. Our understanding is the standard for inclusion of capital costs in distribution rates is set
16 forth in RSA 378:28, which provides that any plant, equipment, or capital improvement
17 which has been found by the Commission to be prudent, used and useful should be reflected
18 in rates. The Company is entitled to earn a just and reasonable rate of return on rate base.

19 **Q. What is your understanding of “prudent” capital costs?**

20 A. While we are not attorneys it is well known in the utility industry that the standard when
21 evaluating a utility’s investment in plant, equipment or capital investments is whether that

1 investment is prudent, used and useful.¹³ Capital costs may be denied where there is proof
2 of “inefficiency, improvidence, economic waste, abuse of discretion or action inimical to
3 the public interest.”¹⁴ We are familiar with the concept that a prudence analysis must be
4 done using the information and circumstances the person or people making the decision
5 had available to them at the time the investment decision was made, and that using
6 hindsight to analyze the prudence of a decision is not permitted.¹⁵

7 **A. Reimbursable Plant Additions**

8 **Q. Please provide an overview of the reimbursable plant additions referenced in the**
9 **DOE Capital Additions Panel testimony.**

10 A. DOE identified six projects with plant, equipment or capital improvements that were placed
11 in service in 2022 or 2023. Each of these projects was undertaken at the request of a
12 customer and the customer was responsible for a portion of the costs. The Company
13 undertook the necessary work and subsequently is reimbursed at some point for a portion
14 of the cost by the customer.

15 Project DG9R – DG Field Design and Construction – This project is known as an annual
16 and is for recurring programs. Specifically, this project was created for field design and

¹³ *Liberty Utilities (EnergyNorth Natural Gas) Corp. d/b/a Liberty Utilities*, Order No. 26,122 at 22 (April 27, 2018) (citing *Pittsfield Aqueduct Company, Inc.*, Order No. 25,051 at 13 (December 11, 2009)).

¹⁴ *Id.* (citing *Public Service Company of New Hampshire*, Order 25,565 at 20 (August 27, 2013)).

¹⁵ “[o]ne of the critical prudence considerations when evaluating actions and decisions, is not to apply the perspective in hindsight, but rather to consider the actions in light of the conditions and circumstances as they existed at the time they were taken.” *Id.* (citing *Public Service Company of New Hampshire*, Order 24,108 at 26 (December 31, 2002)).

1 construction of upgraded facilities to accommodate distributed energy resources. As
2 explained in the PAF provided in response to DOE 7-148 (Attachment ES-ADDITIONS-
3 Rebuttal-4), work performed under this project is reimbursable; however, some work under
4 this project may not be reimbursable, such as work performed to address pole conditions
5 that are required regardless of the upgrades needed to accommodate the new facilities.

6 Project A22N30 – Gilford Comcast – This project was initiated by an application by
7 Comcast to attach to approximately 9,600 poles in Laconia, Gilford, Belmont, Gilmanton,
8 Canterbury, and Loudon. Approximately 4,400 poles were located in Gilford. The project
9 was broken out into smaller groups for managing the required work. As specified in the
10 PAF (Original Filing, Attachment ES-ADDITION-3(e) at 1743), work performed on
11 NESC compliant poles is paid by Comcast and work performed on non-compliant poles is
12 paid by the pole owner, PSNH, consistent with Puc 1300 rules.

13 Project A23N04 – Comcast Belmont - This project was initiated by an application by
14 Comcast to attach to approximately 5,489 poles in Belmont, Northfield, Sanbornton and
15 Tilton. Approximately 3,500 poles were located in Belmont. The project was broken out
16 into smaller groups for managing the required work. As specified in the PAF (Original
17 Filing, Attachment ES-ADDITION-3(f) at 1558, work performed on NESC compliant
18 poles is paid by Comcast and work performed on non-compliant poles is the paid by the
19 pole owner, PSNH, consistent with Puc 1300 rules. The Company estimated about 65% of
20 the poles would be billable to Comcast.

1 Project A21N33 – Laconia Comcast - This project was initiated by an application by
2 Comcast to attach to approximately 9,600 poles in Laconia, Gilford, Belmont, Gilmanton,
3 Canterbury, and Loudon. Approximately 4,800 poles were located in Laconia. The project
4 was broken out into smaller groups for managing the required work. As specified in the
5 PAF (Original Filing, Attachment ES-ADDITION-3(f) at 5891), work performed on NESC
6 compliant poles is paid by Comcast and work performed on non-compliant poles is paid
7 by the pole owner, PSNH, consistent with the Puc 1300 rules.

8 Project PW9R – Private Work-NH – This project is known as an annual and is for recurring
9 programs. Specifically, this project covers any private work required for customers. As
10 specified in the PAF (Original Filing, Attachment ES-ADDITION-3(f) at Bates Page
11 5014), the work is generally considered 100 percent reimbursable.

12 Project A21S30 – NHDOT Project 1306-365 – This project was initiated by an NHDOT
13 project to create a new exit off I-93. The project required the Company to relocate the
14 34.5kV 365 Line in the right of way. As specified in the PAF (Original Filing, Attachment
15 ES-ADDITION-3(f) at Bates Page 1329), the work is considered 100 percent reimbursable
16 as long as the costs do not exceed NHDOT approved budget.

17 **Q. Please summarize the DOE Capital Additions Panel’s analysis, conclusions, and**
18 **recommendation regarding the reimbursable plant additions.**

19 A. DOE characterizes these projects as reimbursable and presumes that the balances for these
20 projects will be reduced to \$0 once reimbursements are made (DOE Capital Additions
21 Panel at Bates Page 22). DOE also asserts that “the customer pays and acquires ownership

1 of these investments,” and therefore, the Company bears no capital cost for these assets
2 and is not allowed to include them for earning the Company’s rate of return, taking
3 depreciation or including them for cost recovery (DOE Capital Additions Panel at Bates
4 Page 23). DOE recommends that the projects should be removed and rate base should be
5 reduced by \$1.05 million, and the Commission should direct the Company to exclude
6 reimbursable projects from rate base going forward (DOE Capital Additions Panel at Bates
7 Page 23).

8 DOE also asserts that “some of the projects” are designated as “Multi-year project[s] not
9 yet complete” and therefore should not be included in rate base (DOE Capital Additions
10 Panel at Bates Page 22).

11 DOE also acknowledges that during the discovery phase of this proceeding the Company
12 identified several distributed generation projects that were fully reimbursable and not
13 eligible for recovery pursuant to RSA 362-A:9 (DOE Capital Additions Panel at Bates
14 Pages 23-24). Specifically, the Company agreed to remove \$248,546 from the proposed
15 rate base.

16 **Q. Does the Company agree with this characterization that the six identified projects are**
17 **fully reimbursable?**

18 A. Except for the specific distributed generation projects, in the amount of \$248,546, where
19 the Company agreed to remove, we do not agree with the DOE’s assessment, as it is
20 incorrect. DOE’s categorical description that these costs will be fully recovered from
21 customers is unsupported and inaccurate. As discussed above, only Project PW9R

1 indicates that the work performed under the project is fully reimbursable¹⁶. The Company
2 notes, however, that this designation was an inadvertent error and similar to the other
3 identified projects, a portion of the work performed is not reimbursable. The remaining
4 projects are partially reimbursable as explained in the respective PAFs. Accordingly, the
5 costs of the projects are not fully recovered from customers and denial of these prudently
6 incurred costs will be an impermissible taking of utility property.

7 As work orders are completed and the plant, equipment, or capital investments are placed
8 in service and used and useful, the Company books the plant additions as in service. The
9 Company will move the cost from CWIP (Account 107) to CCNC (106) and include the
10 plant in service for recovery through distribution rates. Under a project, reimbursements
11 are credited against the project and work orders are debited. A project may include multiple
12 work orders and plant additions may go into service in different years under the same
13 project. If a reimbursement is received upfront, the reimbursement is treated as a credit
14 against total rate base. As plant is placed in service, the capital additions are included in
15 rate base. As discussed above, plant additions under these projects are not fully
16 reimbursable and therefore, it is appropriate to incorporate unreimbursed plant additions in
17 rate base.

18 DOE also incorrectly asserts that reimbursable plant additions are owned by customers,
19 and therefore the Company cannot include reimbursed plant in rate base. While it is true

¹⁶ Project A21S30 is only 100 percent reimbursable if it does not go over budget.

1 that customers contribute to the cost of the assets in these projects, it is simply a false
2 assumption that the customers then own the asset. The Company maintains ownership of
3 the plant placed in service even if the costs are fully reimbursed under an agreement with
4 the customer. The Company must continue to maintain the asset and safe and reliable
5 service. Accordingly, DOE's basis for excluding plant additions under this rationale is
6 meritless.

7 Nevertheless, the Company acknowledges that Project PW9R and Project A21S30 are
8 described as 100 percent reimbursable in the PAFs.¹⁷ While the Company maintains that
9 capital additions under these projects are not fully reimbursable, the Company nonetheless
10 agrees to remove the costs associated with these two projects from rate base, reducing its
11 proposed rate base by \$641,913.¹⁸ As DOE correctly indicated, the Company has also
12 agreed to remove \$248,546 from the proposed rate base associated with projects A21N88,
13 A21S89, A21X18, DSPP8001, A21C52, A21N90, and A22W32.

14 **Q. DOE also claims that even if reimbursable projects may be included in rate base,**
15 **some of the six identified projects should be excluded because the projects are multi-**
16 **year projects. Does the Company agree with DOE's recommendation?**

17 **A.** No. First and foremost, as discussed further below, DOE is confusing a project, which can
18 include multiple assets and phases, with plant, equipment, or capital investments placed in

¹⁷ As discussed above, Project A21S30 is only 100 percent reimbursable if it does not go over budget. Nevertheless, the Company is voluntarily removing this project from rate base.

¹⁸ This reduction is not reflected in Attachment ES-REVREQ-Rebuttal-1. The Company will include this adjustment in the final revenue requirement.

1 service. Under RSA 378:28, rate base should include plant, equipment, or capital
2 improvements that are prudent, used, and useful. Projects are defined by utilities and may
3 encompass the installation of multiple assets including large quantities of plant, equipment,
4 and other capital improvements. The legal standard for inclusion in rate base is whether a
5 prudent *asset* is placed in service and is used and useful. Limiting inclusion of plant
6 additions in rate base until a utility-defined project is fully complete and all work orders
7 are closed is not consistent with the RSA 378:28, standard utility practice, and
8 Commission precedent approving plant additions that were in service and used and useful,
9 including carryover costs, under multi-year projects. The Company is unaware of any
10 jurisdiction that applies the standard advanced by DOE for the first time in this proceeding.

11 Ironically, applying DOE's standard that excessively limits otherwise eligible utility plant
12 from inclusion in rate base would result in unwieldy project documentation because
13 utilities would be required to break projects apart to a per-asset basis to ensure timely
14 recovery of plant additions placed into service in order to adhere to the DOE's new
15 paperwork standard. For example, Project A21N33 is for work associated with about 4,800
16 poles. Currently, as each pole work is completed it is in service and used and useful, and
17 the Company includes in rate base all the poles in service under completed work orders at
18 the end of each year. Under the approach proposed by DOE, to maintain timely cost
19 recovery the Company would need to create a separate project (include initial cost estimate
20 and variance analysis) for each pole so that the DOE could conduct a prudence review of
21 the completed project (i.e., each pole installation) at once. This approach would be

1 exceedingly onerous and terribly inefficient for the Company, the Commission and the
2 DOE.

3 DOE further claims that the plant additions are designated as not complete and therefore
4 asserts that the plant additions must not be used and useful. This is again false. DOE is
5 confusing the Company's explanation of why there is a significant variance between a
6 projects total budget and spend to date—an occurrence common with multi-phase or multi-
7 year projects—with whether the relevant assets are in service and used and useful.
8 Referring to Project A21N33 again, the Company may complete work on a thousand poles
9 in a single year and place those into service. Each of the poles are used and useful once
10 the work is complete and are therefore appropriately included in rate base. However, the
11 project's total budget will vary significantly from the spend to date figure, since only about
12 20 percent of the 4,800 poles have been placed in service. Accordingly, while the *entire*
13 *project* is not complete, the plant additions booked during the year are in service, used and
14 useful and prudently incurred and should be reflected in rate base accordingly. The
15 Company has only included in rate base the costs associated with completed assets which
16 are serving customers and therefore, appropriate for recovery in rates.

17 As discussed above, the plant additions associated with the above-identified projects are in
18 service as of December 31, 2023, used and useful, and no party has questioned the prudence
19 of the investments.

1 While the Company strongly opposes DOE’s recommendation to deny recovery of plant
2 additions under multi-year projects until the full project is complete, the Company also
3 acknowledges that its variance explanations may have been misunderstood by DOE. The
4 Company will strive to enhance variance explanations going forward to avoid any possible
5 confusion.

6 **B. Multi-Year Projects**

7 **Q. Please provide an overview of the multi-year projects referenced in the DOE Capital**
8 **Additions Panel testimony.**

9 A. As part of the Company’s capital authorization process, the Company creates projects that
10 include proposed plant, equipment, or capital improvements to address a particular system
11 need or customer request. The Company discusses the capital approval process in detail in
12 our testimony from the Original Filing at Bates Pages 2293 through 2308

13 Certain larger projects include many assets that are placed in service over several years,
14 but those assets benefit customers long before the project is complete. The Company tracks
15 plant additions through work orders under a designated project. Some smaller projects
16 may have a single work order and the plant additions may not be used and useful until the
17 completion of the project. Other projects may have multiple work orders that address
18 certain components or phase of an overarching project. Completion of all work orders may
19 take a few years resulting in a multi-year project, but each individual work order that is
20 completed contains assets used and useful serving a public benefit. Below is a summary
21 of the specific projects:

1 **A19S40 – Amherst Substation**

2 This project was part of a large transmission and distribution upgrade at Amherst
3 Substation. The distribution scope included replacement of the obsolete Programmable
4 Logic Controller based automation system along with replacement of many obsolete
5 electromechanical relays with modern digital relays and replacement of the old battery
6 system. The project was executed using a single distribution work order which was placed
7 in service in late 2022 (December 29, 2022) after successful commissioning of the final
8 relay systems. The plant in service (“PIS”) in 2023 is related to trailing charges associated
9 with the extensive as built drawing process as well as other normal project closeout efforts.

10 This is an example of a project with a planned in-service date (“ISD”) in a single year that
11 had multiyear PIS due to the project closeout process extending into the ensuing year.

12 **A20X21 – NH DMS**

13 This project consisted of designing and implementing a Distribution Management System
14 and is comprised of both hardware and software necessary to evaluate system conditions
15 and provide information to system operators to help them more effectively manage the
16 system in real time. The project was planned to be completed over several years. The first
17 portion of the project (\$7,106,859) was placed in service in late 2022. An additional
18 portion of the project (\$582,943) was placed in service in 2023, as additional functionality
19 was implemented.

1 **A20W18 – 317/3140 Reconstruction, Bradford to Melvin Mills Road**

2 This project consists of reconstructing about 2.5 miles of existing 4kV roadside distribution
3 line to 19.9kV to remove a section of 34.5kV right-of-way line that was quite old and
4 extremely difficult to access for maintenance or for reconstruction in place. The project
5 had two work orders opened under it. \$1,210,783 was placed into PIS in 2022 and an
6 additional \$6,486 was placed into PIS in 2023. The additional \$6,486 was primarily
7 comprised of trailing charges.

8 **A22W20 – 42X3/44H1 Extend 34.5kV**

9 This project consists of extending the 34.5kV in the vicinity of Newport substation. It was
10 executed in two parts. Part 1 consisted of installing and commissioning two NOVA
11 reclosers. Part 2 was comprised of the line work. This separation was necessary due to
12 limited availability of transformers during this timeframe. The two NOVA reclosers were
13 installed and commissioned at the beginning of the project under separate work orders and
14 placed in service in November 2022 and February 2023. These reclosers became part of
15 the existing electric system and are used and useful. \$76,743 was placed into PIS in 2022
16 and \$74,359 was placed into PIS in 2023. The ensuing line extension work took place in
17 2023 and 2024.

18 This project is an example of a project that was planned to be completed in two separate
19 years due to availability of project materials. The reclosers were available sooner and were

1 therefore installed on the system for the benefit of our customers while the second part of
2 the project waited for transformers to become available.

3 **A21C20 – 322X14 Circuit Offload**

4 This project offloaded an overloaded 322X14 circuit in Goffstown by connecting to the
5 nearby 18W1 and converting 12 transformers from 2.4kV to 7.2kV. This project was
6 completed on a single work order which was reflected in PIS in 2022 (\$20,340). Another
7 \$1,346 was included in PIS in 2023 due to trailing charges and closeout.

8 **A22W26 – 317/3140 Reconstruction, Roby Road to Warner**

9 This project is the second phase of the rebuild of the 317/3140 line. Phase 1 was completed
10 previously under project A20W18. The project had eight work orders opened under it, all
11 of which were completed and placed in service on or before May 2023. \$2,112,059 was
12 placed into PIS in 2023 and an additional \$29,226 was placed into PIS in 2024.

13 Removal of the decommissioned 317 line from the ROW was ongoing in 2023 after the
14 new 3140 line was energized. There was a significant removal cost (\$1.5 million) for
15 6.5 miles of 34kV line in ROW captured in three removal work orders. This cost is part of
16 the total project authorization and total project cost; however this work is not included in
17 PIS.

18 This project is an example of a project that placed new PIS but had additional
19 decommissioning work, therefore creating a significant disparity or variance between PIS
20 and the total project cost.

1 **A23W55 – SMART Inspect Reliability Western**

2 This project added cutouts to unfused transformers, and 5,790 such transformers were
3 identified in the Keene AWC. Under this project, the same limited scope is being done at
4 discrete locations. The project was divided into work packages per circuit resulting in 64
5 work orders. Upon completion of the cutout installation on a given circuit, the work order
6 was placed in service.

7 **A23CCI – CCI Reject Pole Replacement**

8 This project was to replace reject poles recently acquired from CCI. Under this project,
9 the same limited scope of work is being done at multiple discrete locations. The project
10 has been broken down into many separate work orders based on location and planned to be
11 executed over the four-year period from 2023 to 2026. Specifically, 154 work orders were
12 placed in service in 2023 and 348 were placed in service in 2024. The work replacing the
13 remaining poles will continue in 2025 and 2026.

14 **23707 – PSNH-D Electric Buildings 2023 LOB**

15 This project covers all the minor capital upgrades at all Company buildings. Each
16 individual upgrade is unrelated to one another and since they are located at any number of
17 various buildings across the Company's service territory. It is necessary to assign separate
18 work orders to each upgrade as each building is a separate accounting entity. As the work
19 orders on the individual upgrades are complete the associated costs are included in PIS.

1 **A22C83 – Manchester Underground Network Cable Replacement, Ph 3**

2 The Manchester Underground Network Cable system consisted of replacing four separate
3 circuits that degraded to the point where replacement was necessary. To complete this
4 work, individual projects were established for each circuit and were completed in
5 consecutive years. All four of the circuits have been completed as of 2024. Project
6 A22C83 for Phase 3 was planned for construction in 2023. A single work order, 80531406,
7 was opened against project A22C83 for this work. The work was completed and the work
8 order placed in service in December 2023. Total PIS in 2023 was \$966,433. In 2024, an
9 additional \$128,252 of PIS was assigned to this project as a result of trailing charges.

10 This project is an example of a plant addition that is placed in service late in a year, so it is
11 appropriately added to PIS but additional trailing charges are placed in service the
12 following year.

13 **ML2304 – 2023 PSNH-D Line of Business**

14 This project provides line-of-business projects for the Materials Logistics Organization for
15 2023. Each year, dollars are allocated to the Materials Logistics Organization to replace,
16 improve or upgrade warehouse equipment, shelving and handling equipment, and generally
17 relate to safety issues and warehouse functionality. There are seven independent projects
18 undertaken at various warehouse locations that are each assigned a separate work order
19 which is placed in service upon completion of that work. All of the work orders under this

1 project were completed and placed in service in 2023. There is 2024 PIS related to trailing
2 charges and closeout.

3 **NHENGCOM – Field Engineer Field Communication**

4 This project is related to the development and implementation training modules for the
5 Field Engineering and Field Communications employees to meet the needs of the ever-
6 changing distribution system. The Field Engineering/Field Communications group has
7 experienced changing technology associated with our protection equipment in substations
8 underground and roadside equipment and controls.

9 One work order was opened for this project and placed in service in August 2023 for
10 \$289,978 of PIS. An additional \$362,595 of PIS was added in 2024.

11 **A22E43 – Great East Lake Pole Replacement**

12 The purpose of this project was to replace three existing wooden poles with three new steel
13 poles to increase the clearance over a body of water. This project was executed on a single
14 work order (\$210,577) which was placed in service in December 2023. There was
15 additional PIS added in 2024 due to trailing charges and true ups.

16 **A23W17 – 42X3-316X1 Circuit Tie Phase I**

17 This project is the first phase of a circuit tie between circuits 42X3 and 316X1. The project
18 was broken into four sections, each with its own work order. One section was completed
19 and the work order was placed in service in August 2023. The remainder of the project
20 was executed under three different work orders which were completed in February 2025.

1 **A23C60 – SMART Inspect Reliability Central**

2 This project added cutouts to unfused transformers which if a fault should occur would
3 affect 50 or more customers. The Company identified 1,030 such transformers, 315 in
4 Bedford AWC and 715 in Hooksett AWC. Under this project, the same limited scope of
5 work is being conducted at various discrete locations. The project was divided into work
6 packages per circuit based on location resulting in 57 work orders. Upon completion of
7 the cutout installation on a given circuit, the corresponding work order was placed in
8 service. This work was planned to be completed in 2024, however one circuit was
9 completed in late 2023 which is why there is a small amount of PIS in 2023 for this rather
10 large, multi-part project.

11 **A21X84 – RF Site Alarm & Monitoring**

12 This project consists of installing RF Site Alarm & Monitoring at 33 sites. The project is
13 planned as a multi-year project with five sites completed in 2022, 15 in 2023 and 13 in
14 2024. Under this project, the same limited scope of work is being conducted at various
15 discrete locations. Since each site is its own plant location, it is necessary for each site to
16 have its own work order. The assets at each site are independent of those at the other sites
17 and each work order placed in service once the new monitoring equipment is performing
18 its intended function representing PIS that is used and useful.

1 **Q. Please summarize the DOE Capital Additions Panel’s analysis, conclusions, and**
2 **recommendation regarding the multi-year projects.**

3 A. DOE states that some projects included in the project lists contained in the Original Filing,
4 Attachments ES-ADDITIONS-1 through ES-ADDITIONS-2(f) of our testimony include a
5 designation that the project is multi-year and not complete (DOE Capital Additions Panel
6 at Bates Page 25). DOE claims that in reviewing the PAFs for each project, the PAF does
7 not discuss the multi-year nature of the projects (DOE Capital Additions Panel at Bates
8 Page 25). DOE further claims that the projected in-service dates for the projects are the
9 same year as the PAF (DOE Capital Additions Panel at Bates Page 25). DOE also states
10 that many projects’ current spending amounts are significantly higher than the amount
11 included in test year rate base, which DOE claims indicates that projects are not complete
12 and therefore should not be included in rate base.

13 DOE states that they take a “holistic approach to capital project review (DOE Capital
14 Additions Panel at Bates Page 26). Specifically, DOE states that plant cannot be included
15 in rate base unless the project as a whole, is complete, used and useful, and in service (DOE
16 Capital Additions Panel at Bates Page 26). DOE does not base this position on RSA
17 378:28, but rather on RSA 378:30a, which states:

18 “Public Utility rates or charges shall not in any manner be based on the cost
19 of construction work in progress. At no time shall any rates or charges be
20 based upon any costs associated with construction work if said construction
21 work is not completed. All costs of construction work in progress,
22 including, but not limited to, any costs associated with constructing,
23 owning, maintaining or financing construction work in progress, shall not
24 be included in a utility’s rate base nor be allowed as an expense for rate
25 making purposes until, and not before, said construction project is actually

1 providing service consumers” (DOE Capital Additions Panel at Bates Page
2 26).

3 Based on DOE’s interpretation of the restriction on including CWIP in rate base, DOE has
4 developed a novel theory that regardless of whether certain components or elements of a
5 given project have been completed and placed in service, the plant additions cannot be
6 considered used and useful if they happen to be designated part of a larger project unless
7 the project as whole is considered complete (id.). Further, DOE claims that once a project
8 is considered complete and the associated plant additions are then treated as used and
9 useful, no additional costs should be permitted rate base under the project (DOE Capital
10 Additions Panel at Bates Pages at 31-32).

11 DOE cites to DOE Audit Division’s recommendations to exclude certain projects from
12 inclusion in rate base during step adjustment proceedings as precedential support for its
13 position on multi-year projects (DOE Capital Additions Panel at Bates Page at 26, citing
14 Docket No. DE 22-030, Tab 16, New Hampshire Department of Energy Final Audit
15 Report, Audit Issue No. 2, at 10-12 and 42-43).¹⁹

16 DOE claims that reviewing the portion of plant additions placed into service in a year rather
17 than the plant additions under a full project would be too onerous because the DOE staff
18 would need to examine the components of a project and confirm completion and in-service
19 date of the completed components (DOE Capital Additions Panel at Bates Page 28). DOE

¹⁹ The Company notes that PSNH agreed to defer recovery of the projects identified by the Audit Division in DE 22-030, there was no determination that the project had to be complete for the plant additions that were in service to be included in rate base. *See* Order No. 26,709.

1 further asserts that since incremental additions may provide benefits to ratepayers, DOE
2 would need to parse out, review, and confirm the benefits of the incremental additions
3 (DOE Capital Additions Panel at Bates Page 28). DOE claims that this approach is
4 impracticable and runs contrary to the DOE's long held understanding of the used and
5 useful standard (DOE Capital Additions Panel at Bates Page 28). Therefore, the DOE
6 recommends that the identified multi-year projects in the amount of \$28.7 million be
7 removed from rate base and deferred for recovery in the Company's next rate case (DOE
8 Capital Additions Panel at Bates Page 28).

9 **Q. Does the Company agree with this characterization that entire projects must be fully**
10 **complete for the plant additions placed in service on a work order basis be considered**
11 **used and useful?**

12 A. We emphatically disagree. The DOE's proposed theory of cost recovery could have a
13 detrimental impact on the efficiency of utility operations and utility regulation if adopted.
14 The DOE position is not only contrary to general utility accounting principles, DOE is
15 proposing a legal standard for used and useful that is inconsistent with the plain language
16 of the law and Commission precedent. Strangely, DOE claims that reviewing assets within
17 multiple-year projects on a work-order basis would result in too onerous a review, but that
18 is the current practice and consistent with past practice, so in reality nothing would change.
19 However, if DOE's "holistic" approach were adopted, paperwork and administrative
20 burden would either grow exponentially from creating projects on an asset-level basis, or
21 review of multi-year projects only once complete would be a tremendous administrative
22 burden to review. The latter possibility would also deprive the utility of timely recovery

1 of used and useful utility plant the costs of which were prudently incurred, contrary to law
2 and Commission policy on cost recovery.

3 **Q. What is your understanding of the Commission’s standard for inclusion of plant**
4 **investment in rate base?**

5 A. Although we are not attorneys, it is our understanding that the Commission’s long-standing
6 standard for the inclusion of capital additions in rate base is that plant additions must be
7 “used and useful” in providing service to customers and the costs must be demonstrated to
8 have been incurred reasonably and in good faith. RSA 378:28 provides that the Company
9 may earn a return on any plant, equipment, or capital improvement found to be prudent,
10 used, and useful. The statute does not reference project or finished asset. The Commission
11 considers plant to be “used and useful” if the plant is in service and providing benefits to
12 customers. The Company’s historical capital additions to be included in rate base as of
13 December 31, 2023, are consistent with the Commission’s standard.

14 Importantly, it is our understanding that both the Commission and the NH Supreme Court
15 have both ruled that plant additions *don’t have to be actively used* to be deemed used and
16 useful. *See* Order Nos. 26,656 (July 28, 2022), 26,874 (August 16, 2023). If a completed
17 work order represents utility property that is available for service to the public, there are
18 no grounds for disallowance because additional plant additions may be placed in service at
19 a later date under the same project.

1 **Q. Does the Company agree with DOE that CWIP cannot be included in rate base?**

2 A. Yes. The Company fully agrees that pursuant to RSA 378:30-a CWIP may not be included
3 in rate base, and the Company does not propose to do so. The construction of any plant
4 addition must be complete, in service and providing benefits for it to be used and useful
5 and therefore for costs associated with the completed plant addition to be included in
6 service.

7 DOE, however, misinterprets the restriction on including CWIP in rate base until the
8 particular construction project associated with the CWIP is complete and in service, to
9 apply to an overall project that may include the construction of multiple assets including
10 plant, equipment, and capital improvements as defined in RSA 378:28. To be clear, the
11 Company is not proposing to include CWIP in rate base, as the Company has only included
12 costs associated with construction that is complete in rate base. Just because a completed
13 asset is part of a larger overall project does not make it CWIP. Moreover, there is no
14 established rule requiring only the evaluation of utility property at the “project” level, as
15 opposed to simply evaluating whether whatever property proposed for inclusion in rate
16 base, and for which supporting documentation is provided by the Company, is used and
17 useful. Further, under DOE’s interpretation, a utility could circumvent the restrictions of
18 RSA 378:30-a by simply breaking a project into smaller projects, which is a nonsensical
19 result. The restrictions on including CWIP in rate base are not driven by the scope of
20 projects determined by utilities, but rather CWIP is based on whether the construction of a
21 specific asset or property is complete. The DOE and the Commission must look at the

1 specific property being included in rates – if that property, regardless of whether it is part
2 of a larger project – is benefitting customers, the utility is entitled to include that property
3 in rates consistent with both New Hampshire law and long-standing Commission practice.

4 **Q. Please explain how the Company tracks and moves completed plant additions into**
5 **plant in service.**

6 A. Each project is defined with a scope of work and assigned a project number. For
7 accounting purposes, one or more work orders are established under the project. The work
8 orders are accounting entities that contain the scope and cost information for a very specific
9 portion of the project: sometimes a work order contains the entire scope of work for the
10 project and other times two or more work orders are established, each covering a portion
11 of the overall project scope. There are criteria for establishing work orders in our
12 accounting system. The first and most important is that the work order scope must be able
13 to stand alone when completed and meet the standard of “used and useful”. In the case of
14 an electric distribution work order, that means it is tested, energized, and performing its
15 intended function in the distribution system. Other criteria that may be used to determine
16 work order structure are logical items that help the Company to efficiently manage the
17 scope of work such as town boundaries (eases property tax assessments), PSNH AWC
18 boundaries (eases separation of asset documentation for inspection and maintenance
19 purposes), different circuits or discrete equipment. Other factors that are considered
20 include construction sequence and duration, ability to secure the necessary outages to
21 perform the construction, delivery schedules of materials and equipment, seasonal

1 constraints, environmental/permitting constraints, etc. All these things are considered
2 when developing the accounting structure for a project.

3 **Q. Can you provide examples of how the Company establishes work orders that result**
4 **in plant additions that can be used and useful without the completion of the full**
5 **project?**

6 A. Yes. For example, A20W18 - 3140-317 Line Reconstruction– Bradford Sw. Station to
7 East end of Melvin Mills Road. This project consists of reconstructing about 2.5 miles of
8 existing 4kV roadside distribution line to 19.9kV to remove a section of 34.5kV right-of-
9 way line that is quite old and extremely difficult to access for maintenance or for
10 reconstruction in place. The project spans two towns (Bradford and Warner) and two
11 PSNH AWCs (Newport and Bedford). It also required a water crossing license and
12 involved a voltage conversion for the Bradford Elementary school which had to be
13 scheduled during a time that school was not in session.

14 For this project, it was determined that two work orders would be sufficient, one for each
15 town, so the accounting structure was established as follows:

<u>Project #</u>	<u>Work Order Description</u>	<u>Maximo FWO</u>
A20W18	3410-317 Phase 1. Work Request 3516622, Maximo WO 5536245 (Bradford)	80066439
A20W18	3410-317 Phase 1. Work Request 3516623, Maximo WO 5883349 (Warner)	80081832

16

1 The Maximo FWO is the work order number that project labor and materials are charged
2 to. Once the scope of each work order is completed and energized, the Maximo FWO is
3 placed into “in service” status.

4 The entire project scope was awarded to a single line contractor with construction
5 beginning in Bradford and working east toward Warner. Upon completion of the Bradford
6 scope, FWO 80066439 was placed “in service” and upon completion of the Warner scope
7 FWO 80081832 was placed “in service”.

8 At times, construction sequencing or duration may result in work orders being placed in
9 service in different calendar years. In these cases, there would be PIS in each year that a
10 work order was completed and placed “in service”.

11 For this particular project, both work orders were completed at about the same time and
12 placed in service on March 18, 2022. For almost every work order, there are charges and
13 or credits to the work order that occur after the in-service date. These charges can be
14 related to removals of decommissioned equipment that could not be removed until the new
15 equipment is in service as well as demobilization and final invoicing. Until this work is
16 completed, the work orders and ultimately the project, cannot be placed into “Completed”
17 status which would then trigger the reconciliation process, but this is an altogether different
18 process and function than placing an asset in service and often happens long after assets
19 are included in PIS. The work order reconciliation process also often results in credits or
20 debits to work orders which also impact PIS. It is not uncommon for the reconciliation

1 process to spill into the next calendar year, resulting in increases or decreases to project
2 PIS in the year after a project is completed.

3 There are also projects that actually plan to place PIS over the course of multiple years.
4 One hypothetical example would be the replacement of obsolete 34.5kV oil circuit breakers
5 (“OCB”) in a substation containing four OCBs. For a project such as this, the criteria
6 employed for project accounting *could* be to use just one work order, but this would not be
7 efficient as it is very unlikely that all four breakers could be taken out of service at once
8 and replaced simultaneously. To maintain service to all customers, it would be necessary
9 to sequence the equipment outages, completing and placing in service one breaker at a
10 time, in series. So here, a logical accounting structure would be to assign a separate work
11 order to each OCB replacement, which is typically the approach used by the Company in
12 such projects. This also results in a fairly long construction sequence, often with work
13 orders being placed in service in different years. Upon completion and successful testing
14 of each new breaker, its associated work order is placed “in service”.

15 **Q. Does the DOE Capital Additions Panel raise any concerns regarding the necessity or**
16 **prudence of the identified investments under this category?**

17 A. No. DOE does not question the prudence or the need for these investments. DOE’s sole
18 issue is that the 16 projects are multi-year projects that may have additional plant additions
19 in future years under the same project number. Accordingly, since the plant additions are
20 in-service and used and useful, the Commission should include these costs in rate base.

1 **Q. Are any of the projects identified by DOE as “Incomplete Multi-Year Projects”**
2 **actually complete?**

3 A. Yes. As an initial matter, all of the projects include completed PIS that is used and useful.
4 In addition, Project numbers A19S40, A20X21, A20W18, A22W20, A21C20, A23W55,
5 A22W26, and A21X84 had work orders placed in service in 2022 and carryover costs
6 reflected in 2023. These projects are complete and in-service. The Company notes that it
7 responded to discovery issued by DOE and explained that certain projects were fully
8 complete, but DOE continues to assert that the projects are not complete despite evidence
9 to the contrary. Please see Attachment ES-ADDITIONS-Rebuttal-5 for the data request
10 response DOE 10-208 (A20W18); DOE 10-209 (A22W26); DOE 14-254 (A23W55); and
11 DOE 14-256 (A19S40).

12 **C. Multi-Year Projects - Plant Additions After Step Adjustments**

13 **Q. Please provide an overview of the plant additions referenced in the DOE Capital**
14 **Additions Panel testimony as related to step adjustments.**

15 A. The plant additions represent additional completed work orders for plant that was placed
16 in service and is used and useful. The work orders were completed under projects that
17 were completed through multiple work orders. Plant additions that were in service and
18 used and useful were included in previous step adjustments. The Company is seeking to
19 include additional plant placed in service in rate base that is not reflected in the step
20 adjustments.

1 **Q. Please summarize the DOE Capital Additions Panel’s analysis, conclusions, and**
2 **recommendation regarding these additional plant additions for multi-year projects.**

3 A. DOE states that the identified projects were included in approved step adjustments;
4 however, the Company has continued to accrue costs and place PIS under the same project
5 numbers (DOE Capital Additions Panel at Bates Page 30). Specifically, projects A20C24,
6 A14W01, 21772, A20C23, A20C40, A21LS, A21N32, A21N34, NHEDVH20,
7 NHEDVH21, NHTRN21, 20755, A17E01, 20715, A17E09, and A20N15 had plant
8 additions approved in Docket No. DE 22-030. Project A19W56 had plant additions
9 approved in the Company’s second step adjustment proceeding, filed in Docket No. DE
10 19-057 on May 3, 2021.

11 While DOE acknowledges that the Company stated that the projects were multi-year
12 projects with carryover costs, DOE claims that the Company asserted that the identified
13 projects were completed at the time of the step adjustment proceedings, and therefore DOE
14 asserts that the projects should not continue to accept charges or have additional work
15 (DOE Capital Additions Panel at Bates Pages 30-31). DOE asserts that the Company did
16 not disclose or represent that some of the projects were multi-year or phase-in projects, and
17 had the DOE known it would have recommended the deferral of the projects listed in
18 Table 3 of the DOE Capital Additions Panel testimony (DOE Capital Additions Panel at
19 Bates Page 32).

20 DOE also notes that the Company indicated that some of the costs are associated with
21 trailing invoices (DOE Capital Additions Panel at Bates Page 30). DOE expressed concern

1 that there is “excessive lag time in handling the accounts payables for some these projects”
2 (DOE Capital Additions Panel at Bates Page 31).

3 DOE states that the projects included in the step adjustments are similar to multi-year
4 projects, and under the DOE proposed “holistic” standard of review, plant additions may
5 not be included in rate base until the entire project is complete. DOE states that the projects
6 that were previously approved in the step adjustments by the Commission on the belief and
7 understanding that they were used and useful and in service at the time, and as such were
8 already included in the Company’s rate base (id.). DOE reiterates the same approach for
9 multi-year projects applies to these projects.

10 DOE asserts that since the projects included plant additions approved in the step
11 adjustments, the Commission should reaffirm its findings that the projects listed in Table 3
12 of the DOE Capital Additions Panel testimony were complete and used and useful as of
13 2021, and disallow any additional costs associated with plant additions under the same
14 project number (DOE Capital Additions Panel at Bates Page 32). DOE argues that the
15 additional plant additions were not properly added to plant-in-service in compliance with
16 the used and useful standard or RSA 378:a.²⁰

²⁰ The Company presumes that DOE meant to reference RSA 378:30-a, as RSA 378:a is not a valid statutory reference.

1 **Q. Does the Company agree with DOE’s position that subsequent plant additions under**
2 **projects that previously had plant additions included in rate base cannot be placed in**
3 **service to be considered used and useful?**

4 A. No. As discussed above, the DOE position is not only contrary to general utility accounting
5 principles, but DOE is also proposing a legal standard for used and useful that is
6 inconsistent with the plain language of the law and Commission precedent. DOE’s novel
7 standard for disallowing plant additions that are prudently incurred and in service is not
8 supportable for the reasons discussed above. Further, DOE’s claim that it has always
9 advocated for the concept that projects must be fully complete before including plant
10 additions in rate base and that no further plant additions—despite being used and useful—
11 may be permissibly included rate base is belied by the fact DOE has not opposed the
12 inclusion of numerous prior carryover plant additions in rate base. For example, the step
13 adjustments following the approval of permanent rates in Docket No. DE 19-057 included
14 several carryover plant additions from projects that were unopposed by DOE. *See, e.g.,*
15 DE 22-030, Testimony of Russel D. Johnson, David L. Plante and James J. Devereaux, at
16 Bates Pages 22-23 (April 29, 2022) (explaining that carryover costs are for projects that
17 were in service and included as part of the prior rate case review or second step adjustments
18 but that have additional charges and plant additions).

19 There is no statutory support under RSA 378:28 or RSA 378:30-a to deny the inclusion of
20 plant, equipment or capital investments that are constructed, in-service, used and useful,
21 and prudently incurred regardless if part of that project is already in rate base. Adopting
22 DOE’s position would effectively be an unconstitutional taking of utility property because

1 the Commission would be denying the recovery of prudently incurred plant additions. DOE
2 does not dispute that the plant additions for projects A20C24, A14W01, 21772, A20C23,
3 A20C40, A21LS, A21N32, A21N34, NHEDVH20, NHEDVH21, NHTRN21, 20755,
4 A17E01, 20715, A17E09, A20N15, and A19W56 are complete, in service, used and useful,
5 and prudently incurred, which is the only legal standard that applies when assessing the
6 inclusion of plant, equipment, and capital improvements in rate base. Accordingly, the
7 Commission should find that all the capital additions for the above listed projects should
8 be included in the Company's proposed rate base.

9 VII. RESPONSE TO CLAIMS ON SPECIFIC PROJECTS

10 A. Electric Vehicle Charging Stations

11 **Q. Please provide an overview of the Electric Vehicle Charging Station projects.**

12 A. These projects included the installation of a total of eight electric vehicle charging stations
13 at the Company's properties in Portsmouth and Nashua (four chargers at each location).
14 The charging stations are available for employees or guests to use. In recognition that an
15 increasing number of residents and employees are purchasing electric vehicles, the
16 Company installed a limited number of electric vehicle chargers at the Portsmouth and
17 Nashua work centers.

18 **Q. Please summarize the DOE Capital Additions Panel analysis, conclusions, and
19 recommendation regarding the Electric Vehicle Charging Station projects.**

20 A. DOE asserts that there are no PAFs for the electric vehicle ("EV") charging station projects,
21 but it learned about the projects through discovery and technical sessions (DOE Capital

1 Additions Panel at Bates Page 34). DOE claims that the charging stations are intended to
2 provide a benefit to employees and are not available for ratepayer use, and therefore the
3 charging stations provide no benefits for ratepayers (DOE Capital Additions Panel at Bates
4 Pages 34-35). DOE argues that the projects are additional perks for Company employees
5 and therefore should not be included in rate base (DOE Capital Additions Panel at Bates
6 Page 35). Specifically, DOE recommends disallowing \$311,739 associated with the EV
7 charging station projects (DOE Capital Additions Panel at Bates Page 35).

8 **Q. Please explain why a PAF was not developed for the identified EV charging station**
9 **projects.**

10 A. As discussed in detail in our testimony in the Original Filing, under the Company's Project
11 Authorization Policy projects under \$500,000 do not required a PAF.

12 Project No. 23769 was a project to install four EV charging stations at one of the
13 Company's properties in Portsmouth, New Hampshire which are available to be used by
14 any of the employees at Portsmouth who may have an EV or anyone with an EV visiting
15 that location. The final cost was \$219,996, consistent with what was depicted in the
16 Original Filing, Attachment ES-ADDITIONS-2(f), Bates Page 2345. This project did not
17 meet the criteria per APS-01 (the Project Authorization Policy) for a PAF.²¹

18 Similarly, Project 23726 was a project to install four EV charging stations at one of the
19 Company's properties in Nashua and are available to be used by any of the employees at

²¹ The Company's APS-01 was included in the Original Filing in Attachment ES-ADDITIONS-4(a) and (b).

1 Nashua who may have an EV or anyone with an EV visiting that location. The final cost
2 was \$91,743, consistent with what was depicted in the Original Filing, Attachment ES-
3 ADDITIONS-2(f), Bates Page 2346. This project also did not meet the criteria per APS-01
4 for a PAF.

5 **Q. Please explain why the identified EV charging station plant additions should be**
6 **included in rate base.**

7 A. As an initial matter, no party disputes that the EV charging stations are in service and used
8 and useful. DOE asserts that the charging stations are a benefit for employees only and not
9 a benefit for customers, and therefore eligible for inclusion in rate base. DOE's overly
10 narrow interpretation of how projects may provide benefits is not consistent with long-
11 established utility rate making principles.

12 While we are not attorneys, our understanding is that costs incurred for the benefit of
13 employees are recoverable costs for a utility company and routinely recovered through
14 rates. A utility company is a business that needs to compete for qualified candidates to
15 conduct its business to provide safe and reliable service for the benefit of its customers.
16 The Company must offer certain services and benefits to attract and retain quality
17 employees. The costs of providing such services and benefits, while not offered directly
18 to customers, are appropriate operating costs and investments for inclusion in rates. For
19 example, office facilities, parking, and equipment, are available for the exclusive benefit
20 of employees and are appropriately reflected in rates.

1 The availability of limited EV charging at places of business is becoming more common,
2 as employees are beginning to use EVs more and more frequently as a regular means to
3 travel to offices.²² As an electric distribution company, the Company is keenly aware of
4 the growing demand for “make ready” requests to install EV charging facilities at various
5 businesses. In addition to a growing number of businesses providing EV charging, the
6 State of New Hampshire has sought to expand the availability of EV chargers for its
7 employees. Pursuant to Executive Order 2016-03, where feasible, state office buildings
8 with 50 or more employees must make EV charging stations available for use by
9 employees. The Company notes that DOE’s argument counter to the State of New
10 Hampshire’s practice of making EV charging available to its employees.

11 The Company installed the limited number of EV chargers at two facilities for use by
12 employees and visitors to those facilities. The chargers provide a similar benefit that other
13 businesses and the State of New Hampshire seek to provide to their employees and
14 therefore is a prudently incurred expenditure and should be included in the Company’s rate
15 base.

²² See *EV Adoption Creates More Demand for Workplace Charging Stations*, CBRE, available at: <https://www.cbre.com/insights/articles/ev-adoption-creates-more-demand-for-workplace-charging-stations#:~:text=Active%20workplace%20charging%20ports%20from,demand%20and%20evolving%20commuting%20patterns>.

1 **B. PowerClerk**

2 **Q. Please provide an overview of the PowerClerk project.**

3 A. PowerClerk is a SaaS (Software as a Service) that receives, tracks and stores
4 interconnection applications for distributed energy resources (“DERs”) looking to connect
5 to PSNH’s distribution system. PowerClerk automated what was a manual application
6 process that was overly burdensome, slow moving, and at greater risk of errors.
7 PowerClerk also creates a searchable database for DER projects and interconnection
8 applications and integrates the various business groups that are involved with DER
9 application review and processing (i.e., Distribution Engineering, Distributed Generation,
10 and Construction) so that the Company can meet its regulatory obligations in New
11 Hampshire to interconnect all distributed energy resources in a timely manner and
12 administer the state net metering program. (See PAF for PowerClerk implementation,
13 Original Filing, Attachment ES-ADDITIONS-3(f), Pages 334-341 of 5,902). PowerClerk
14 became a necessity in the middle of 2022 when PSNH’s DER interconnection applications
15 nearly tripled seemingly overnight.

16 **Q. Please summarize the DOE’s recommendation regarding the costs for**
17 **implementation of PowerClerk.**

18 A. The DOE Capital Additions Panel relies on Docket No. DE 22-060 and the Commission’s
19 approval of application fees for net metering to make the inference that it was the “intent
20 of the DE 22-060 parties and the Commission that the revenue from the application fees
21 would be used in part to defray the costs of “information systems” and “information

1 technology” involved with the processing of DER customer-generator interconnection
2 applications” to conclude that this intent means that the application fees should reach back
3 to pay for all costs of this capital project that was placed into service during the test year
4 (Testimony of DOE Capital Additions Panel at Bates Page 37). The witnesses also
5 characterize the Company’s position as solely relying on the fact that the application fees
6 were not approved until over a year after the project was placed in service as the reason
7 why application fees should not apply to this project. The DOE concludes that the entirety
8 of the \$3,053,669.67 in implementation costs should be recovered via the newly
9 implemented interconnection application fees.

10 **Q. Is DOE’s analysis accurate?**

11 A. No, the DOE’s interpretation of the intended use of the application fees and the Company’s
12 position as to why the fees shouldn’t apply are both mistaken, and both misunderstandings
13 are rooted in the same error by the DOE witnesses. The application fees in Docket No.
14 DE 22-060 were only intended to cover forward-looking ongoing expenses associated with
15 processing interconnection applications and administering net metering, and PSNH stated
16 as much multiple times over the course of Docket No. DE 22-060. But more importantly,
17 DOE also made it clear that the DOE only wanted application fees covering incremental
18 costs not included in base distribution rates, and in DOE’s testimony in that docket it notes
19 that the joint utilities had to better demonstrate that the fees did not include “historical
20 costs” in their proposal to assure DOE that there would be no “double recovery” by fees

1 and base distribution rates. (DOE Testimony of Elizabeth R. Nixon, Mark P. Toscano, and
2 Deandra M. Perruccio, Docket No. DE 22-060 Exhibit 7 at Bates Page 19).

3 This is why, in both the joint utilities’ rebuttal testimony and the settlement agreement in
4 Docket No. DE 22-060, the joint utilities created an annual reconciliation where “actual
5 general administrative costs incurred to support the review and processing of applications
6 to interconnect” during the previous year would be compared with both total application
7 fee revenues collected during that year *and* the revenues from base rates for costs already
8 included in those rates.²³ The DOE witnesses in this docket overlook that the fees are
9 supposed to cover *actual* costs for the *immediately previous year*. This could not include
10 the costs incurred to implement PowerClerk in 2023 because application fees did not even
11 get added to the Company’s tariff until December of 2024. Equally important, the revenues
12 considered each year are the application fees *plus* revenues from base rates in the
13 Company’s most recent test year—DOE’s position that the Company should pull costs out
14 of its test year to be covered by the fees flatly contradicts what was actually proposed in
15 the net metering docket.

16 Moreover, as a practical matter, the DOE witnesses’ position in this docket that
17 implementation of PowerClerk during the test year should be covered by application fees
18 would amount to an effective unjustified disallowance of those costs. The joint utilities

²³ Docket No. DE 22-060, Joint Utility Rebuttal Testimony, Exhibit 3 at Bates Page 31; Settlement Agreement Exhibit 1 at Bates Page 31.

1 proposed that while each utility would credit back to customers any fees over and above
2 the amount of actual, incremental costs of administration and application processing for a
3 given year, the utility *would not* collect any revenue shortfall from customers. Assuming
4 first that somehow PSNH could include PowerClerk's implementation costs from 2023
5 into the first annual reconciliation (which it could not, because the earliest costs the first
6 reconciliation would include would be from January 2024 – after the Company's most
7 recent test year and when actual revenues began being collected), the fees were set at a
8 level that would only collect what the joint utilities would need to cover incremental costs
9 to utility revenues in base rates. Removing PowerClerk from the Company's test year
10 would drastically throw off the balance of this calculation: the Company's base rate
11 revenues would be artificially low, and the fees would fall far short of covering the cost of
12 PowerClerk implementation.²⁴

13 Since the Company cannot collect any revenue shortfall, PowerClerk implementation costs
14 would get removed at the first reconciliation and would result in up to an unfounded, multi-
15 million-dollar disallowance. DOE did not argue that the costs were imprudent, so even if
16 their recommendation about inclusion in fees were accurate, which it isn't, it still would
17 not be appropriate for these costs to be recovered by the new interconnection application

²⁴ PSNH estimated, based on 2023 application levels, the application fees would recover approximately \$854,000. This amount would have to first cover incremental costs from 2024, resulting in far less available than would be needed to recover the over \$3 million in PowerClerk implementation costs.

1 fees because doing so amounts to a de facto disallowance of prudently-incurred costs of a
2 used and useful capital investment.

3 **Q. So, what is appropriate for recovery of PowerClerk implementation costs?**

4 A. The only appropriate venue for recovery of the PowerClerk implementation costs that is
5 currently available to the Company is inclusion in permanent distribution rates in this
6 docket.

7 **C. Derry AWC Acquisition**

8 **Q. Please provide an overview of the Derry AWC acquisition.**

9 A. PSNH purchased a property that it had previously been leasing due to the landlord's intent
10 to redevelop the property or sell it. This is a critical facility for the Company.
11 Renegotiating a lease was likely to be unsuccessful and would have risked disruption to
12 the Company's operations and additional costs incurred if the Company had to transition
13 the facility to a new location. The Company conducted a financial analysis and determined
14 that purchasing the property was likely the lowest cost and least disruptive course of action.
15 The Company subsequently obtained a Broker's Opinion of Value ("BOV") from Colliers
16 International, a well-established commercial realtor, which was more expedient and less
17 costly than a commercial appraisal, but nonetheless a reliable indicator of the value of the
18 facilities. (See Attachment ES-ADDITIONS-Rebuttal-6 for the Company's financial
19 analysis provided as an attachment to the response to DOE data request 10-207(a), , and
20 Attachment ES-ADDITIONS-Rebuttal-7 for the BOV provided in response to data request

1 DOE 10-207(b)). Colliers’ assessment was that replacing the Derry property would cost
2 the Company approximately \$4.5 million considering the Derry property’s condition,
3 location, and local market conditions. The Company purchased the property for \$3.6
4 million.

5 **Q. Please summarize the DOE’s assessment and recommendation regarding the Derry**
6 **AWC acquisition.**

7 A. The DOE second guesses the Company’s utilization of the BOV’s estimated replacement
8 value of the property to inform the Company’s purchase price. DOE asserts that the Realtor
9 should have considered different factors such as wear and tear and the “highest and best
10 use” of the property. DOE asserts that the Company could *only* obtain a reliable assessment
11 of the property’s value from a license commercial appraiser, and so therefore the Company
12 “had no way of knowing with any certainty” if \$3.6 million was a reasonable price
13 (Testimony of DOE Capital Additions Panel at Bates Page 42-43). Because the DOE
14 claims, without basis, that replacement value was irrelevant to fair market value, it
15 proceeded to supplant its own standard of what a fair purchase price would have been by
16 calculating what the 2022 tax assessment value of the property likely would have been
17 (\$1.25 million) and added the “cost” of the backup control center at the location (\$1
18 million) to conclude that \$2.25 million is the “approximate current market value” of the
19 Derry AWC (id. at 41). DOE witnesses did not take into account the estimated cost of the
20 additional infrastructure, build out, and other costs associated with constructing the control
21 center which the Company presented in response to DOE TS 2-017, which combined with

1 the \$4.5 million valuation would have cost approximately \$10 million.²⁵ The DOE
2 witnesses also believe that the transaction was not at “arm’s length” because the Company
3 was somehow under duress because the landlord desired a quick sale and the Company
4 took into account the costs to relocate the facility. The DOE uses its own opinion of what
5 the fair market price might have been as the basis for calculating a recommended \$1.35
6 million disallowance pertaining to this purchase.

7 **Q. Does the Company agree with the validity of DOE’s recommendation to disallow**
8 **\$1.35 million?**

9 A. No, the DOE cannot permissibly invent its own standard for assessing fair market value
10 after the fact and retrospectively apply it to the Company’s actual purchase price, and the
11 fact that DOE disagrees with the BOV does not make the BOV an unreliable indicator of
12 fair market value.

13 BOVs are routinely used to assess what the purchase/sale price of a property should be.
14 DOE’s preference for a certified tax assessment does not mean that such an assessment is
15 the only way to make a reasonable determination regarding a property’s fair value and that
16 proposition is contrary to widely accepted practice and opinion. It was entirely reasonable
17 for the Company to use the BOV in its assessment, along with the Company’s financial
18 analysis, to make a decision about purchase price. The DOE’s claims that replacement
19 value is irrelevant does not make it so. In fact, the replacement value is *exactly* what the

²⁵ The Company’s response to DOE TS 2-017 is provided in Attachment ES-ADDITIONS-Rebuttal-8

1 Company should have considered because that is the reality that the Company was facing—
2 the landlord was going to sell the property, resulting in the Company having to relocate to
3 a comparable property. Accordingly, a comparison of the cost of purchasing the facility
4 compared to the cost of relocating to another facility is the appropriate assessment.
5 Collier's is an established and experienced commercial realtor whose opinion is
6 considerably better versed in the assessment of property value than the DOE's. It is not
7 justified nor is it reasonable for the DOE to conclude that Collier's assessment was invalid
8 or irrelevant, and indeed DOE does not provide any grounds for its conclusory opinion that
9 it was. Regardless, this unsupported conclusion is DOE's basis for creating its own
10 retrospective standard of valuation for the Derry AWC. Neither of these judgments is
11 sound grounds for disallowance of any costs.

12 The DOE's inference that the Company was not dealing at arm's length with the seller and
13 therefore incapable of a rational decision is untrue and hyperbolic and certainly insufficient
14 to justify disallowances of over a million dollars. The fact that the Company was taking
15 into account relocation costs—and the cost implications that would signify for customers—
16 is precisely what the Company should have been considering when determining what to
17 pay for the Derry AWC property. To equate the Company's consideration of cost
18 implications with the Company being under duress is not logical. The DOE would have
19 been more founded to call the Company's judgment into question if the Company *hadn't*
20 considered the cost implications for its customers.

1 The other circumstances surrounding the sale, like the seller's desire for a quick sale and
2 the listing not ever going on the market, do not amount to a compromise of the fairness of
3 the deal. The Company was able to conduct a financial analysis of its own and has
4 knowledgeable staff that made a reasoned decision using the best information available at
5 the time of the purchase—the only valid standard for determining prudence of an
6 investment. DOE's extrapolation of circumstantial evidence to invalidate what was a
7 reasonable and prudent investment is not rooted in any acceptable standard of review for
8 cost recovery.²⁶ Between the Company's financial analysis and Collier's \$4.5 million
9 valuation it assessed the Company would have incurred to replace the Derry AWC based
10 on the property's characteristics, location, and a review of the local market, the Company
11 had sufficient support to make a reasonable decision about purchase price. DOE does not
12 dispute that the Company's decision to purchase the property was justified.

13 It is not clear why the DOE thinks the Company could make a reasoned decision to
14 purchase the property but at the same time would be incapable of making a reasonable
15 decision about what to pay for that property. But this logical leap by the DOE to justify
16 replacing its own judgment for the Company's to reach a recommendation for

²⁶ One of DOE's additional assertions to support the idea that the deal was not at arm's length was its characterization that "the property did have some unattractive characteristics in that it had been used exclusively as an electric utility facility for a number of years." (DOE Capital Additions Panel at Bates Page 42). First, there is no explanation given as to why this is an unattractive characteristic, and it could just as easily be the case that this increased property value. But this premise is also deeply flawed in the sense that it expects the Company to put itself in the position of a different, fictional third-party buyer to determine what they would have paid, rather than what the Company should pay. This is a prime example of the false logic the DOE relies upon to make the jump to replacing the Company's judgment for that of its own.

1 disallowances is an unacceptable standard of review. The DOE provides no sound
2 argument that the \$3.6 million purchase price was imprudent, and the Company should be
3 able to recover the entire purchase price in base rates.

4 **D. NH Line Contractors**

5 **Q. Please discuss whether the Company agrees with DOE's recommendation regarding**
6 **the NH Line Contractors project.**

7 A. The NH Line Contractors project serves to capture all costs associated with outside services
8 when a specific work order is either unavailable or cannot be determined. After further
9 analysis of the costs reflected in this project, the Company potentially identified an
10 accounting error associated with some expenditures included in the project. While the
11 Company does not agree with DOE's assessment of this project, given the stage of this
12 proceeding, the Company agrees to remove the full \$427,841²⁷ from its proposed rate
13 base.²⁸

14 **E. 11W1-Submarine Cable Replacement**

15 **Q. Please provide an overview of the Submarine Cable Replacement project.**

16 A. This project involved the replacement of two old and deteriorating submarine cables
17 providing electric service from the mainland to Welch and Lockes Islands on Lake

²⁷ DOE Capital Additions Panel mistakenly lists the Company's total reported costs of \$639,741 instead of requested plant in service (i.e., the amount the Company requests to reflect in rate base) in Table 4 on Bates Page 33 of their testimony.

²⁸ This reduction is not reflected in Attachment ES-REVREQ-Rebuttal-1. The Company will include this adjustment in the final revenue requirement.

1 Winnepesaukee. The older cables were severely deteriorated and experienced failures at
2 both locations. The project consisted of installing two single phase 1/0 15kV submarine
3 cables totaling 15,000 feet of cable along with directional bore conduit and new riser poles
4 at each location.

5 **Q. Please summarize the DOE Capital Additions Panel analysis, conclusions, and**
6 **recommendation regarding the Submarine Cable Replacement project.**

7 A. DOE asserts that plant additions for this project were included in a previous step adjustment
8 and the Company represented that it was complete, in service, and used and useful at that
9 time (DOE Capital Additions Panel at Bates Page 46). DOE claims that the project
10 continued to incur charges through 2022 resulting in an additional plant-in-service of
11 \$74,810 (DOE Capital Additions Panel at Bates Page 46).²⁹ Similar to their arguments
12 regarding additional plant additions under projects that previously had plant additions
13 included in rate base through the Company's step adjustments, the DOE Capital Additions
14 Panel asserts that the Commission should disallow any additional plant additions under the
15 same project number. Specifically, DOE recommends permanent disallowance of the
16 amount of \$74,810.

²⁹ DOE also asserts that the Commission previously disallowed \$163,000 related to this project based on a finding of imprudence; however, its argument for disallowing costs is unrelated to this finding. (DOE Capital Additions Panel at Bates Page 46-47).

1 **Q. Does the Company agree with DOE’s position that subsequent plant additions under**
2 **projects that previously had plant additions included in rate base cannot be placed in**
3 **service to be considered used and useful?**

4 A. No. As discussed above, the DOE position is not only contrary to general utility accounting
5 principles, but DOE is also proposing a legal standard for used and useful that is
6 inconsistent with the plain language of the law and Commission precedent. DOE’s novel
7 standard for disallowing plant additions that are prudently incurred and in service is not
8 supportable for the reasons discussed above.

9 DOE does not argue that the additional plant costs are not in service, nor do they argue that
10 the plant is not prudently incurred. DOE’s sole argument is that since some plant additions
11 under a project were included in rate base previously, no additional plant may be included
12 in rate based under the same project. As discussed above, this argument is inconsistent
13 with plant accounting, has no legal basis, and is altogether not logical. Therefore, the
14 Commission should reject DOE’s recommendation and approve the proposed plant for
15 inclusion in rate base.

16 **F. EV Make Ready**

17 **Q. Please provide an overview of the EV Make Ready project.**

18 A. The Company’s \$2.1 million EV Make Ready Program was approved by the Commission
19 in Docket No. DE 21-078 by Order No. 26,738 (December 1, 2022).³⁰ Importantly, the

³⁰ Order No. 26,738 is an order on a motion for rehearing and clarifies the original order approving the settlement agreement Order No. 26,667.

1 Commission in that order noted the following: “We clarify here that while approximately
2 \$650,000 in capital expenditures are expected within the EV make-ready program, *any and*
3 *all qualifying capital investments* made by Eversource as part of this EV make-ready
4 program that are found used, useful, and prudent shall be eligible for Eversource’s allowed
5 return on capital to the extent permitted under New Hampshire law.” (Order No. 26,738
6 at 3, *emphasis added*).

7 **Q. How does the DOE analyze the Make Ready Project EV23009?**

8 A. In short, DOE’s analysis is that the Company was billed \$114,601 and did not incur
9 \$254,387 and that instead the larger amount was to be picked up by the VW Trust, managed
10 by the New Hampshire Department of Environmental Services (“DES”). Based on this
11 conclusion, DOE recommends a disallowance of \$139,786.

12 **Q. Is the DOE’s analysis regarding Project EV23009 accurate?**

13 A. No, the DOE’s conclusion ignores critical facts to arrive at an inappropriate disallowance.
14 It’s true that ReVision Energy invoiced the Company for \$114,601, however, the Company
15 incurred additional costs for non-reimbursable portions of the project. The DOE Capital
16 Additions Panel testimony states at Bates Page 48: “[t]he \$252,716 amount was derived by
17 PSNH after all other contributions from the owner and the VW Fund was accounted for.
18 However, it is clear from the invoice that only the lesser amount of \$114,601 was due from
19 PSNH and that the \$252,716 was to be provided by the VW Fund.” We aren’t sure how
20 the DOE made this determination, but it is incorrect. The Company may incur its own
21 capital costs on a project under the Make Ready program for facilities that the Company

1 owns. This is what the \$254,387 (not \$252,716) represents. The Make Ready funding
2 covers costs that the VW Trust does not cover – both customer-incurred and utility-incurred
3 costs. The \$114,601 is only one portion of the total costs incurred by the Company, the
4 supporting materials for the full \$254,387 are shown in ES-ADDITIONS-Rebuttal-9, work
5 order 80417850. The documentation shows the \$114,601 billed by ReVision and the
6 additional costs. VW Trust funding does not factor in here, its administered separately by
7 DES and the Company rightfully did not take it into account. The only way in which the
8 Company takes into consideration VW Trust funding is to ensure that the Company is not
9 covering any costs already reimbursed to the customer by the VW Trust, which is what the
10 Company did.

11 **G. Nashua AWC Renovation Projects**

12 **Q. Please provide an overview of the Nashua AWC Renovation projects.**

13 A. The Nashua Work Center projects (19720, 217108, 22743) included renovating an
14 approximately 60-year-old workspace that was outdated, inefficient and too small to house
15 the functions that the Company needed. Due to customer growth in southern New
16 Hampshire, the Company had a pressing need to add facility space to house construction
17 line crews and troubleshooter line crews that provide critical reliability functions for
18 customers.

19 The Nashua AWC renovation was performed in multiple phases and included the
20 expansion of the work center from 18,450 sq. ft. to 31,000 sq. ft. The renovated work

1 center includes expanded office space, as well as garage space to accommodate the
2 additional crews that operate from the center. The project included updating the office's
3 outdated roof, windows, electrical system, plumbing, lighting, sprinkler system, flooring,
4 HVAC, and security measures.

5 The Company made the decision to break the overall initiative into parts to allow for more
6 effective project management and budget control. Each project had a dedicated set of work
7 streams (i.e., Project No. 19720 was for the building addition and garage renovation,
8 Project No. 217108 was for the front office renovation, and Project No. 22743 was
9 dedicated to the mechanical, electrical, and plumbing portions of the front office
10 renovation).

11 **Q. Please summarize the DOE Capital Additions Panel analysis, conclusions, and**
12 **recommendation regarding the Nashua Work Center Renovation projects.**

13 A. DOE criticizes the Company's bidding and selection process for the Nashua AWC
14 renovation (DOE Capital Additions Panel at Bates Page 49). DOE acknowledges that the
15 Company selected the winning bidder for the first phase of the renovation effort (Project
16 19720) through the Company's "of Choice" program (DOE Capital Additions Panel at
17 Bates Page 50). Under the "of Choice" program, bids were primarily evaluated based on
18 a technical analysis, which DOE criticizes because the process does not compare the total
19 costs of the highest and lowest bids (DOE Capital Additions Panel at Bates Page 50). In
20 addition, DOE asserts that the bid evaluation form provided by the Company indicates that
21 each contractor will be scored on commercial and technical factors, with the commercial

1 category given the highest weight (DOE Capital Additions Panel at Bates Page 51). DOE
2 claims that the Company only completed the technical portion of the bid evaluation, and
3 therefore the Company did not evaluate the bids based on price (DOE Capital Additions
4 Panel at Bates Pages 51-52).

5 DOE also claims that based on its own analysis of each bidder's proposed markup rates
6 and its own calculations, other bidders had lower rates compared to North Branch, the
7 winning bidder (DOE Capital Additions Panel at Bates Page 52). DOE states that the
8 Company explained that it selected North Branch as the winning bidder based on the
9 bidders "abilities to execute the project, including proximity to the project area, familiarity
10 with the local jurisdiction having authority, and local work force that would provide the
11 needed timely attention to the project" (DOE Capital Additions Panel at Bates Page 52,
12 citing PSNH response to data request DOE TS3-002). DOE, however, claims based on its
13 own review, other bidders possess experience and qualifications equal to that of North
14 Branch, including performing work on similar projects for PSNH (DOE Capital Additions
15 Panel at Bates Page 52). DOE states that the only advantage the winning bidder had was
16 they were in state, which DOE claims was not part of the qualifications required under the
17 Request for Proposal (RFP) (DOE Capital Additions Panel at Bates Pages 52-53). DOE
18 also notes that the Company indicated that the winning bidder had some involvement in
19 assisting the Company's program manager architect with formulating a budget for the
20 project, which DOE claims raises concerns whether the winning bidder had an unfair

1 advantage and led to the Company de-emphasizing pricing (DOE Capital Additions Panel
2 at Bates Page 53).

3 DOE concludes that the bidding process for Project 19720 is imprudent and ineffective
4 because alleged (1) favoritism and unfair evaluation due to the winning bidders prior
5 involvement with the project, (2) over reliance on technical qualifications rather than
6 focusing on lowest costs for ratepayers, (3) incoherent pricing scheme under the “of
7 Choice” program, and (4) limiting bidders to the Company’s “of Choice” program (DOE
8 Capital Additions Panel at Bates Pages 53-54). Therefore, DOE recommends disallowance
9 of the entire cost of the Nashua AWC renovation project (\$8.6 million for Project 19720).

10 In regards to the other phases of the Nashua AWC renovation, DOE also recommends that
11 the Commission disallow the entire costs of Projects 217108 and 22743 because (1) the
12 Company did not conduct an open bidding process, and (2) awarded the work to North
13 Branch allegedly without evaluating pricing and based on favoritism (DOE Capital
14 Additions Panel at Bates Pages 54-56). DOE claims this demonstrates signs of a flawed
15 and imprudent procurement process (DOE Capital Additions Panel at Bates Page 54-56).
16 Therefore, DOE recommends disallowing the full costs of Projects 217108 and 22743
17 (DOE Capital Additions Panel at Bates Page 54-56).

18 **Q. Please summarize the procurement process used for the Nashua AWC Renovation**
19 **projects.**

20 A. For the Nashua AWC renovation, the Company did procure construction management
21 services through its “of Choice” program. The Company did not have a fully developed

1 design of the project and as part of the Request for Proposals (“RFP”), the Company sought
2 to select a bidder that could not only assist with the construction of the project but also with
3 the project design. Accordingly, since bidders would not be provided a detailed project
4 design to base projected total costs estimates, the RFP did not seek bidders to provide
5 projected total costs. Instead, the Construction Management Services were bid out and the
6 Company awarded contracts based on rates, fees, safety record, work protocols, and
7 extensive work reference.

8 The “of Choice” program allows the Company to pre-screen potential vendors and leverage
9 pre-negotiated and established contracts with applicable rates and fees. Vendors in the “of
10 Choice” program are thoroughly negotiated and vetted commercially to ensure they are
11 competitive before they can become preferred vendors.

12 After issuance of an RFP to the “of Choice” vendors, the Company evaluated the bids.
13 Given that vendors have been pre-vetted as “of-Choice” vendors and that the bidders did
14 not provide total cost estimates, evaluations of proposals were focused more on technical
15 evaluations. After completing the technical evaluation, the Company determined North
16 Branch had the highest evaluated technical score. Although the Company did not score
17 each bidder on a commercial basis, the Company considered each bidder’s proposed rates
18 and fees. After consideration of the technical evaluation and the rates and fees, North
19 Branch Construction was selected as the winning bidder.

1 After North Branch was selected, the Company worked with North Branch to complete the
2 design of the project and North Branch then provided a total cost estimate for the project.

3 For the additional phases of the overall renovation, which included the renovation of the
4 front office of the Nashua AWC (Project 217108) and the installation of the mechanical,
5 electrical, and plumbing systems (Project 22743), the Company decided to directly award
6 the contract to North Branch. Both projects were part of the second phase of the Nashua
7 AWC renovation. For the general construction portion of these projects, the Company
8 directly awarded the work to North Branch Construction based on the pre-negotiated rates
9 and fees. Since these projects were a second phase of the overall renovation initiative, and
10 work was still on going under Project No. 19720, for construction efficiency, safety,
11 security, and overall project management the Company determined that it was prudent to
12 directly contract with the same general construction vendor that was performing
13 construction for the other portions of the renovation project. For the other aspects of this
14 project that were not under the supervision of North Branch Construction, the Company
15 solicited proposals from vendors that hold a master services agreement (preferred vendors)
16 with PSNH.

17 **Q. Please explain why the Company solicited bids under the “of Choice” program rather**
18 **than a broader group of stakeholders.**

19 A. The Nashua AWC renovation was a complex project that required an expansion of the
20 facility and renovation of the existing space while the Company continued to run operations
21 out of the work center. In addition, as discussed above, the Company’s RFP sought a

1 vendor to assist with the design and general construction services, and therefore, the bid
2 assessment would not include an evaluation of the total cost of the project. Based on these
3 unique circumstances, the Company awarded the project to a previously-screened,
4 competitively-priced, competent vendor in its “of Choice” program.

5 **Q. Please elaborate on bid evaluation process used for the Nashua AWC Renovation**
6 **project 19720.**

7 A. As discussed above, the Company procured the general construction vendor for this project
8 using the “of Choice” program. The intent of the “of Choice” program is to allow the
9 Company to leverage a pool of contractors with pre-negotiated and established contracts
10 with applicable rates and fees (set forth in a Master Service Agreement (“MSA”) and
11 reduce the need to conduct a full commercial analysis for each project under the “of
12 Choice” program.

13 For this project, contractors did provide an estimate of rates and fees as this was the criteria
14 of the bid to help complete the design and budgeting process. In this case, in addition to
15 the rates established in the contractor’s respective MSA, each bidder proposed a markup
16 fee structure.

17 As these vendors have been thoroughly negotiated and vetted commercially as part of the
18 “of Choice” program, and the scope of the requested services included development of the
19 design for the project, the RFP evaluations were technically driven. As discussed above,
20 the Company did not seek total cost estimates for this project because until the design of
21 the project was completed, bidders would be unable to produce meaningful cost estimates.

1 Instead, all bidders provided a list of rates and fees. The winner helped to complete the
2 design of the project at which time the winner provided a cost to build the project which
3 was in line with their bid's rates and fees. Accordingly, as DOE correctly noted, the
4 Company scored the technical elements of the RFP but not the commercial elements since
5 the RFP did not include a total cost estimate for the project.

6 North Branch Construction received the highest score on the Technical Evaluation.
7 Contrary to DOE's claims, the Company also considered the proposed percent markup
8 from each bidder's rates and fees in evaluating the bids. However, the rates for these
9 vendors were already screened and determined to be reasonable and competitive through
10 the "of Choice" program. The only additional differentiating factor was the proposed
11 markups, which in the scale of the project would not result in significant cost differences.
12 Ultimately, the Company's the decision to proceed with North Branch Construction was
13 based on the availability for delivery and value-added services included. North Branch
14 Construction was chosen based on its abilities to execute the project, which included
15 proximity to the project area, familiarity with the local permitting authority, and local work
16 force that would provide the needed timely attention to the project. Since this project
17 mandated cohabitation of maintaining an operational electric operations center while
18 construction was in progress it was crucial the contractor that executed the construction
19 was very familiar and well versed in this type of method. After evaluation, while the other
20 bidders were capable contractors, the Company determined that North Branch
21 Construction was the best vendor for the project.

1 **Q. Did the Company discuss the Nashua AWC renovation with North Branch**
2 **Construction prior the issuance of the RFP?**

3 A. Yes, a project manager architect consulted North Branch Construction to help formulate
4 an estimated budget for the project, leveraging their expertise and pricing out tasks with
5 sub vendors and suppliers. Contrary to DOE's accusations of favoritism, this limited
6 engagement did not impact the Company's evaluation of the bidders for this project. As
7 discussed above, the RFP did not include a request for total cost estimate but rather focused
8 on the technical elements of the bids. In addition, the Company is diligent in conducting a
9 fair evaluation process and assessing the capabilities of each bidder for the proposed
10 project.

11 **Q. Please explain whether the Company agrees with DOE's assessment that the**
12 **Company did not focus on the lowest cost bids.**

13 A. An evaluation of potential vendors is not limited an assessment of potential costs, nor is
14 the Company required to accept the lowest cost bid regardless of the merits of the full bid
15 proposal. The Company must consider the qualifications of the bidder and the proposed
16 rates and fees. DOE's analysis is based on the proposed markups of certain costs and
17 services, and not on the overall rates of the bidders. As noted above, bidders did propose
18 different levels of markups, however, the markups do not have a substantial impact on the
19 overall cost of the project. Based on the Company's calculations, assuming the project was
20 implemented in the same manner with the same sub-contractors, the difference between
21 the cost of the bidder with the lowest markup costs and the actual costs is about \$300,000.
22 However, the Company also must assess the technical expertise of bidders, including

1 whether the bidder will execute the project efficiently. A bidder with lower rates may
2 actually be less efficient and end up costing more than a bidder with higher rates.

3 The RFP process is not intended to require the Company to retain the services of the lowest
4 bidder, rather, the bidding and qualification process provides a means to assess the
5 reasonableness of the cost of services sought. The Company's RFP process for the Nashua
6 Work Center was an objective process to assess the qualifications of the potential general
7 construction vendor. The Company documented its evaluation results and criteria and
8 provided an explanation of its decision based on its business judgment at the time of the
9 bidding process. DOE attempts to retroactively substitute the Company's business
10 judgment with its own and focus solely on lowest cost, which is not only inappropriate for
11 assessing contractors but an improper review. The question is whether the management
12 decisions based on what the Company knew at the time of the decision were imprudent.
13 DOE's argument is effectively that DOE would have given more weight to the cost
14 elements of bids. This does not demonstrate an imprudent decision by the Company with
15 respect to selecting North Branch as the winning bidder. Therefore, the Commission
16 should reject DOE's arguments and find the Company conducted an appropriate
17 competitive bid process and reasonably exercised its business judgment to select the
18 winning bidder.

1 **Q. Please describe how the Company evaluated the contractors that were directly**
2 **awarded portions of the Nashua AWC renovation.**

3 A. As an initial matter, DOE incorrectly suggests that only North Branch worked on the
4 Nashua AWC renovation project. North Branch served as the general construction vendor
5 for the projects, however, for the other aspects of this project that were not under the
6 supervision of North Branch Construction, the Company solicited proposals from vendors
7 that hold a master services agreement (“of Choice” vendors) with the Company.

8 The Company directly awarded the work to North Branch Construction based on the pre-
9 negotiated rates and fees that were determined to be competitive prior to selection. Since
10 this project was a second phase of the overall renovation initiative, and work was still
11 ongoing under Project No. 19720. For construction efficiency, safety, security, and overall
12 project management the Company determined that it was prudent and most efficient to
13 directly contract with the same general construction vendor that was performing
14 construction for the other portions of the renovation project. The Company evaluated
15 North Branch Construction’s proposed costs and ensured that the costs were in line with
16 the pre-negotiated rates and fees under the MSA.

17 **H. Millyard Substation Replacement**

18 **Q. Please provide an overview of the Millyard Substation Replacement project.**

19 A. Millyard Substation is a 34.5kV-4.16kV substation located in the Millyard area of Nashua.
20 The substation transformers were 68 and 71 years old and the switchgear was of the same
21 vintage. The substation was obsolete and unsuitable for continued growth and needed to

1 be replaced by a new substation. The City of Nashua expressed interest in swapping land
2 with the Company and use the property hosting the old substation as part of its Waterfront
3 Plan for development in that area. Under the land swap, the Company could build a new
4 substation on a property that was better suited for a new substation in terms of location and
5 layout. The Company and the City subsequently reached agreement in relocating the
6 substation involving a land swap transaction between the two parties. Under the
7 agreement, the Company would remediate the environmental hazards on the parcel hosting
8 the old substations. After the land swap, the Company also remediated the environmental
9 hazards on the former City parcel to be used for the new substation.

10 **Q. Please summarize the DOE Capital Additions Panel analysis, conclusions, and**
11 **recommendation regarding the Millyard Substation Replacement project.**

12 A. DOE does not dispute the need for the project or any of the elements of the project scope
13 or design (DOE Capital Additions Panel at Bates Page 57). DOE also agrees with the
14 decision to relocate the substation to property acquired in the land swap (DOE Capital
15 Additions Panel at Bates Page 57). DOE, however, argues that the City should have borne
16 the cost of environmental cleanup and remediation of the former City parcel (DOE Capital
17 Additions Panel at Bates Page 57-58). DOE acknowledges that the City refused to
18 remediate or pay for the remediation of the parcel as part of the land swap (DOE Capital
19 Additions Panel at Bates Page 57-58). DOE claims that both parties were aware of the
20 environmental contamination of the parcels and therefore each party had an obligation to
21 ensure that its respective property was remediated as part of the land swap agreement (DOE

1 Capital Additions Panel at Bates Page 58). DOE concludes that because the City did not
2 clean up its former parcel or pay for the remediation, the land swap was not fair or equitable
3 (DOE Capital Additions Panel at Bates Page 58). DOE then asserts that the Company's
4 decision to conduct the environmental clean-up at the former City parcel was imprudent,
5 provides no benefits to ratepayers, and the cost of the clean-up, \$290,499, should be
6 permanently disallowed (DOE Capital Additions Panel at Bates Page 58).

7 **Q. Does the Company agree with the DOE Capital Additions Panel's characterization**
8 **and recommendations regard the Millyard Substation?**

9 A. No. DOE does not assert a valid basis for disallowing the environmental clean-up costs.
10 DOE acknowledges that the Company's decision to acquire the parcel from the City of
11 Nashua and construct the new substation on the parcel but quibbles that it believes it would
12 have been "more equitable" if the City paid for the necessary environmental clean-up. The
13 issue is whether the Company's land swap and construction of the new substation is
14 reasonable and prudent as it was executed. DOE requests that the Commission disallow
15 prudently incurred costs based on what DOE believes could have been achieved in a
16 negotiation with the City of Nashua. It cannot be argued that if the Company did less clean
17 up work, the costs would have been lower. But DOE's beliefs and value judgments about
18 what could possibly have happened (likely had circumstances been different) are irrelevant

1 to the determination of whether the Company acted prudently in light of the circumstances
2 at the time, i.e., the City's refusal to pay for the environmental remediation of the parcel.³¹

3 The land swap was an arm's length negotiated agreement benefiting both parties. The
4 Company benefitted from the land swap by constructing the new substation in its entirety
5 without the need to disturb the existing substation or the customers served by it until the
6 end of the project when final cutovers took place. Though the sizes of the two lots are
7 similar, the layout of the old lot being long and narrow did not accommodate the larger
8 equipment (transformers and circuit breakers) and space for an on-site mobile transformer
9 connection. The new lot being squarer, allowed for the new substation fenced area to be
10 nearly triple the previous substation area which met the current code and operational
11 requirements of the new substation. The new substation location also allowed for
12 relocation of a powerline structure located on an island in the river with limited access to
13 a new location accessible by land. This saved a great deal of time and money while averting
14 the risk of unplanned outages to the customers served. Although the Company had to
15 remediate its old parcel prior to the land swap and subsequently remediate the new parcel
16 for the City to agree to the land swap, the benefits of the new parcel justified the expense.

17 DOE implicitly suggests that the Company should have refused the land swap and forgo

³¹ DOE claims that the land swap agreement did not include a requirement that the Company remediate the City's former parcel after the close of the land swap. It would be inappropriate for an agreement to convey property to include provisions regarding the expected actions that the purchaser will undertake following the close of the transaction. Accordingly, while the condition that the Company remediate its former parcel prior to conveyance is included in the agreement, the need for the Company to remediate the acquire parcel following the conveyance is not included in the agreement.

1 the substantial benefits of constructing the substation on the new parcel all because the City
2 would not agree to pay to remediate its former parcel prior to the land swap. In light of the
3 benefits of the land swap compared to the costs, the Company maintains that the land swap
4 agreement was reasonable and the Company acted prudently in the remediation of both
5 parcels of known contaminants, including asbestos, before constructing the new substation,
6 which minimizes potential health and safety risks to Company employees and residents of
7 Nashua.

8 **I. Distribution Fleet**

9 **Q. Please provide an overview of the distribution fleet projects.**

10 A. The fleet projects include the strategic replacement of vehicles to improve reliability and
11 mitigate long-term costs for repair and maintenance. Vehicles are replaced based on age,
12 condition, and need across the fleet. In 2022 and 2023, the Company replaced 29 diesel
13 powered trucks with Jobsite Energy Management Systems (“JEMS”). JEMS are diesel
14 trucks that eliminate the need for idling at jobsites by using batteries to power equipment
15 on certain trucks such as material handlers, trouble trucks, and aerial squirt booms.

16 **Q. Please summarize the DOE Capital Additions Panel analysis, conclusions, and**
17 **recommendation regarding the Distribution Fleet project.**

18 A. DOE asserts that the Company acquired the JEMS as part of an effort to electrify its fleet
19 to achieve Eversource’s net zero reduction goals (DOE Capital Additions Panel at Bates
20 Page 60-62). DOE states that while other jurisdictions have climate goals, New Hampshire
21 currently has no specific policy, directive, mandate, order, or climate change initiative that

1 requires or encourages any of the New Hampshire utilities to electrify their vehicle fleets
2 (DOE Capital Additions Panel at Bates Page 62). DOE argues that electrifying the fleet
3 has a substantial incremental cost and the Commission should permanently disallow the
4 difference in costs between the increased costs for carbon neutral vehicles and traditional
5 diesel-powered vehicles in the amount of \$1.85 million (DOE Capital Additions Panel at
6 Bates Page 62).

7 **Q. Please explain the Company's reason for acquiring the JEMS identified by DOE.**

8 A. As DOE correctly indicated the purpose of the fleet projects is the strategic replacement of
9 vehicles to improve reliability and mitigate long-term costs for repair and maintenance, but
10 DOE misses the mark when it claims that the Company solely acquired the JEMS as part
11 of Eversource's enterprise-wide carbon emissions reduction policy. DOE was also
12 mistaken in its description of the JEMS: JEMS are not EVs as DOE insinuates. Rather,
13 regular diesel trucks are equipped with JEMS to reduce idling using the electric-powered
14 buckets for field work. As the Company explained in response to DOE data requests,
15 JEMS-enabled trucks have the benefit of reducing fuel costs, reducing job-site noise (an
16 added safety benefit), and creating cost savings by reducing overall engine maintenance,
17 as well as aligning with the state policy to reduce vehicle idling.³² See N.H. Admin. Code
18 ENV-A 1101. The Company's acquisition of JEMS-enabled vehicles provides increased
19 benefits through reduction in fuel costs and maintenance, as well as reducing job-site noise

³² Please see Exh. ES-ADDITIONS-Rebuttal-4 for the data request response.

1 would otherwise detrimentally affect customers near active jobsites. The Company's
2 decision to acquire JEMS-enabled vehicles is reasonable, reduces costs, and provides
3 benefits to customers, irrespective of any emission reductions. There is no evidence in this
4 docket supporting that these purchases were imprudent, because the JEMS were not
5 purchased for the sole purpose of advancing an emissions reduction policy as the DOE
6 claims, but rather for the very concrete benefits just listed. Therefore, the Company
7 requests that the Commission reject DOE's arguments and approve the inclusion of the
8 fleet vehicles in rate base.

9 **J. LED Lighting Projects**

10 **Q. Please provide an overview of the LED Lighting projects.**

11 A. The projects (Project No. 217129 - 55 W. Brook St. and Project No. 21784 - 73 W. Brook
12 St.) involve the installation of LED lighting at the Company's facilities in Manchester, NH.
13 The Company offset the cost of the project using energy efficiency funding consistent with
14 RSA 125-O. The Company proposes to include the portion of the projects that were not
15 offset by incentives from the energy efficiency programs in rate base. The total requested
16 plant in service for these two projects is \$482,104.³³

³³ Please note that DOE incorrectly states that the proposed amount for inclusion in rate base is \$499,033. DOE seems to have not accounted for carryover costs reflected in Attachment ES-ADDITIONS-2(e) and Attachment ES-ADDITIONS-2(f).

1 **Q. Please summarize Ms. Nixon and Ms. Trottier’s analysis, conclusions, and**
2 **recommendation regarding the LED Lighting projects.**

3 A. Nixon and Trottier recommend that the Commission exclude two projects (Project No.
4 217129 - 55 W. Brook St. and Project No. 21784 - 73 W. Brook St.) from rate base (Nixon
5 and Trottier Testimony at Bates Page 10-11). DOE asserts that pursuant to RSA 125-O:5,
6 the Company may set aside and use any unencumbered energy efficiency system benefit
7 charge (“SBC”) funds up to two percent of all energy efficiency SBC funds collected in a
8 prior program year to be used for cost-effective energy efficiency initiatives at Company
9 facilities. Nixon and Trottier acknowledge that the Company used \$369,743 of such funds
10 to offset the costs of the projects. Nixon and Trottier, however, argue that there was an
11 additional \$500,000 in funding available pursuant to RSA 125-O that they assert should be
12 applied to the LED Lighting projects.

13 **Q. Please explain how the Company applies funding available pursuant to RSA 125-O**
14 **to energy efficiency projects at Company facilities.**

15 A. RSA 125-O provides, in pertinent part:

16 Public Service Company of New Hampshire (PSNH) may utilize SBC funds
17 equivalent to the unencumbered amount, if any, rolled over from the prior
18 program year for energy efficiency projects at facilities owned and operated
19 by PSNH, provided that the company made a good faith effort in the prior
20 program year to meet the goals approved by the public utilities commission
21 for its core energy efficiency programs, and provided that the SBC funds
22 used by PSNH shall not exceed 2 percent of all SBC funds collected in the
23 prior program year. PSNH may utilize these funds to implement approved
24 core energy efficiency initiatives or measures at PSNH's facilities that are
25 cost effective and which enhance the efficient use of energy at PSNH
26 facilities. Any energy savings resulting from the use of these funds by
27 PSNH at its facilities will not be included in the calculation of PSNH's
28 energy efficiency program goals, any shareholder incentive, or any other

1 incentive program. In any year that PSNH utilizes SBC funds, PSNH shall
2 submit a report to the public utilities commission and the department
3 detailing how these funds were utilized, and will make the report available
4 to interested parties.

5 In Docket No. DE 09-170, the Commission approved a settlement agreement that clarified
6 that unexpended and uncommitted funding from a program year can be carried forward to
7 the following program year but the total RSA 125-O funds balance may not exceed
8 \$600,000. In other words, at the conclusion of each program year the amount of funding
9 available for the following program year is reset.

10 Consistent with the statute, the Company may use the available funding for *approved* core
11 energy efficiency initiatives or measures that are cost-effective. In other words, the
12 Company may only use the funding in the same way any large commercial customer may
13 use incentives available through the approved programs. Accordingly, the Company
14 determines the incentive levels available for the measures it seeks to install under the
15 approved program designs. Just like any other customer, there is a portion of costs that are
16 not allowed to be fully offset by SBC funding. No commercial energy efficiency program
17 offers a 100% incentive level for installing energy efficiency measures.

18 **Q. Please explain whether the Company agrees with DOE's recommendations.**

19 A. The DOE's assessment is not consistent with the way RSA 125-O funds are used. As an
20 initial matter, the Company notes that no party challenges whether Projects 217129 and
21 21784 are prudent, in service, used and useful. While the Company appreciates that it may
22 be preferable to allow the Company to fully offset all energy efficiency related investments

1 using RSA 125-O funds, the statute does not permit applying funding in future years to
2 measures installed years prior, as proposed by DOE. As discussed above, the Company
3 may only use the RSA 125-O funding for approved initiatives and measures, and it is
4 assumed that means for current measure work that has yet to be completed, not already
5 completed work. The Company determined the level of incentives for the 55 W. Brook St.
6 and 73 W. Brook St. projects consistent with the then current programs. Fully offsetting
7 the project costs would be inconsistent with the approved programs because doing so would
8 provide incentives above permissible levels.

9 In addition, as mentioned above, DOE is effectively arguing to retroactively apply funds
10 in the current RSA 125-O fund to projects implemented in 2021 and 2022. Consistent with
11 the settlement agreement in Docket No. DE 09-170, RSA 125-O is effectively functioning
12 as an annually replenishing fund that can be applied to the upcoming program year. The
13 fund no longer accumulates all unexpended funds. Further, the costs and savings are
14 reported annually. Retroactively adjusting program costs is not contemplated by the
15 statute.

16 For these reasons, the Company recommends that the Commission reject DOE's proposal
17 to apply RSA 125-O funds retroactively to the completed LED Lighting projects and
18 include the full amount of unrecovered plant additions in rate base.

1 **VIII. 2024 CAPITAL ADDITIONS**

2 **Q. What is the Company’s proposal with respect to post-test year changes associated**
3 **with capital additions placed into service during 2024?**

4 A. As discussed in our testimony in the Original Filing at 31, the Company is proposing to
5 reflect capital additions completed through December 31, 2024, in permanent base rates
6 effective August 1, 2025. These capital additions are in service almost a year prior to the
7 implementation of new permanent rates.

8 **Q. Have you provided documentation in support of the Company’s 2024 capital**
9 **additions?**

10 A. Yes. The Company is providing Attachment ES-ADDITIONS-2(g) and ES-ADDITIONS-
11 2(h) which summarize the capital additions completed and proposed for inclusion in rate
12 base for the Company through December 31, 2024. The attachments are more specifically
13 described as follows:

- 14 • Attachments ES-ADDITIONS-2(g) and (h)³⁴ are a Chronological List of Projects
15 for specific projects and annual blanket programs, including explanation of
16 variances greater than 20 percent from the most recent authorization to final project
17 cost. The costs included are project life to date costs for specific projects, and
18 annual program costs. The sum of these projects do not tie to FERC Form No.1
19 pages; however, they are included to demonstrate the comparison of pre-

³⁴ ES-ADDITIONS-2(g) provides plant additions through September 2024, and ES-ADDITIONS-2(h) provides plant additions from September 2024 through December 31, 2024. In order to expeditiously prepare the project documentation, the Company prepared the materials in a phased manner.

1 construction authorization (for projects) or annual authorization (for programs) to
2 actual year/life to date project costs. The attachments also include an index with the
3 page number of supporting documentation for each project in Exhibit 2024
4 Additions Documentation.

- 5 • Exhibit 2024 Additions Documentation includes project documentation for each
6 project listed in Attachment ES-ADDITIONS-2(g) and (h). The documentation
7 includes the PAFs, any supplemental PAFs, and closing reports. The Exhibit also
8 includes an index with the page number of supporting documentation for each
9 project.

10 **Q. Are all of the investments used and useful in providing service to customers?**

11 A. Yes, all of the investments over this period are used and useful in the provision of service
12 to PSNH customers.

13 **Q. Were all of the costs for these investments incurred reasonably and in good faith?**

14 A. Yes. As described earlier, the Company follows a comprehensive process for project
15 authorization and cost-control in developing and implementing its capital program.

16 **Q. Please describe the Company's plant additions in the Basic Business category.**

17 A. The investments in this category primarily include emergent equipment failures, corrective
18 replacements, pre-capitalized transformers, lighting and reimbursable work such as: Third
19 Party/Joint Owner Work (work required of utility pole owners to accommodate
20 attachments by either joint owners or third parties such as pole replacements); Basic

1 Business – Other (purchase of office furniture); Insurance Claim (customer equipment
2 damage claims due to events on the Company’s distribution system); Line Relocations/Act
3 of Public Authority (cost of relocation of existing distribution facilities required by State
4 highway, Municipal, redevelopment, private entities or Company needs); Pre-Capitalized
5 Line Transformers (purchase, initial installation and retirement of overhead, underground
6 and pad-mounted distribution transformers and voltage regulators); Lighting (work
7 required by State, Municipal and private area outdoor lighting customers); Emergent
8 Equipment Failures – Line (repairs, removal, and replacement of existing facilities
9 requiring capital work); Emergent Equipment Failures – Substation (repairs, removal, and
10 replacement of existing facilities requiring capital work in substations); Environmental
11 (capital work to replace transformers containing PCBs); and Capital Tool Purchases
12 (purchases of tools individually valued at over \$500).

13 **Q. Please describe the Company’s plant additions in the New Customer category.**

14 A. This category includes distribution overhead, duct system, and direct-buried construction
15 (excluding transformer purchases) required to serve new customers or upgrade service to
16 existing customers.

17 **Q. Please describe the Company’s plant additions in the Peak Load/Capacity category.**

18 A. This category includes investments in distribution line and substation projects to address
19 actual or projected overloads of facilities due to general load growth in specific areas. It
20 also includes funding for projects necessary to maintain voltage at customer delivery points
21 within limits prescribed by the Commission.

1 **Q. Please describe the Company's plant additions in the Regulatory Commitments**
2 **category.**

3 A. This category includes plant additions in the Company's reliability program, which has
4 included pole replacement, oil circuit breaker replacement, relay upgrades, and other
5 projects focused on improving reliability and specifically tracked and reported annually by
6 the Company.

7 **Q. Please describe the Company's plant additions in the Reliability category.**

8 A. The plant additions in the Reliability category include conversion of obsolete 4-kV
9 substations and lines to 12-kV or 34-kV, distribution automation (pole-top and substation
10 automation, installation of line sensors, and additional private radio base station locations),
11 distribution line reliability (construction of circuit ties for existing radial lines, reject pole
12 replacement, street-side reconductoring/hardening), and annual projects for reliability
13 costing less than \$500,000.

14 **Q. For projects placed in service in 2024, has the Company included any capital**
15 **additions previously proposed as part of a step adjustment but not approved as part**
16 **of the step adjustment?**

17 A. No.

1 **IX. CONCLUSION**

2 **Q. Would the Company's proposed rate base, if approved by the Commission along with**
3 **the Company's proposed Performance Based Ratemaking Plan, result in just and**
4 **reasonable rates?**

5 A. Yes it would.

6 **Q. Does this conclude your joint testimony?**

7 A. Yes it does. We thank the Commission for its consideration of these critical issues.