STATE OF NEW HAMPSHIRE

PUBLIC UTILITIES COMMISSION

November 19, 2024 - 9:03 a.m.
21 South Fruit Street
Suite 10
Concord, NH

[Hearing also conducted via Webex]

RE: **DE 24-070**
PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY:
Request for Change to Distribution Rates.
(Prehearing Technical Conference)

PRESENT: Chairman Daniel C. Goldner, *Presiding*
Commissioner Pradip K. Chattopadhyay

Alexander Speidel, Esq./*PUC Legal Advisor*

Doreen Borden, Clerk
Tracey Russo, PUC Hybrid Hearing Host

APPEARANCES: **Reptg. Public Service Company of New Hampshire d/b/a Eversource Energy:**
Jessica A. Chiavara, Esq.
Jonathan Goldberg, Esq. *(Keegan Werlin)*

Reptg. AARP New Hampshire:
John B. Coffman, Esq.

Reptg. Mary Ellen O'Brien Kramer:
Raymond Burke, Esq.
N.H. Legal Assistance

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

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

Reptg. Residential Ratepayers:
Donald M. Kreis, Esq., Consumer Adv.
Michael Crouse, Esq.
Office of the Consumer Advocate

Reptg. New Hampshire Dept. of Energy:
Paul B. Dexter, Esq.
Marie-Helene Bailinson, Esq.
Elizabeth Nixon, Director/Electric Group
(Regulatory Support Division)

ALSO PRESENT FOR EVERSOURCE:
(To address topics for this Technical Conference)

Ian Farley (Vegetation Management)
Robert Allen (Vegetation Management) - **REMOTE**
Christopher Kishimoto (Customer Service)
Daniel Traynor (Customer Service)
Ashley Botelho (Revenue Requirements) - **REMOTE**
Ed Davis (Cost of Service)
Scott Anderson (Cost of Service)
Amparo Nieto (Cost of Service) - **REMOTE**

I N D E X

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P R O C E E D I N G

CHAIRMAN GOLDNER: Okay. Good morning. I'm Chairman Dan Goldner, here today with Commissioner Pradip Chattopadhyay.

This is the first day of the November prehearing technical conferences scheduled for November 19th and 20th, attended and presided over by the Commission, regarding the Eversource distribution rate case docketed in DE 24-070.

We have remote participants with the DOE, AARP, and the Company today, at least planned to be so, pursuant to the Commission's procedural order issued yesterday. We also remind the participants that we have our court reporter, Mr. Patnaude, taking a transcript here today, as a courtesy to the parties, their personnel and consultants, and to aid the Commission.

To begin with, the Commission thanks Eversource for its responsiveness to the Commission's record request questions from September onward. With the Company's November 15th responses being very clarifying to the Commission, we would expect today's technical conference will be the sole November Commission-attended technical conference, and then, in all likelihood, tomorrow's session will be canceled, with the remaining two Commission-attended technical sessions being held in early January, January 7th and 8th.

Moving on to housekeeping matters pertinent to Eversource. First, Eversource should check in to when it intends to ask the Commission to schedule a December hearing for its Energy Service filing in Docket 24-046. Eversource's two peer electric utilities already have their Default Service hearings booked in the Commission's calendar, and time is running short.

Second, though Eversource pledged to provide a non-disclosure agreement to the Commission's consultant, Daymark Advisors, regarding the information for which Eversource sought confidential treatment at the October 2nd Commission-attended technical session, referencing the transcript, Page 15, the Company has not done so over the last six weeks. The Company is requested to send such a non-disclosure agreement to the attention of the

Commission's Clerks Office at the earliest opportunity, and, in any event, no later than November 25th, 2024.

Regarding the topics covered in today's technical session, the Commission expects to generally track the course of our November 5th record request procedural order, starting with vegetation management; continuing with customer operations and digital strategies; onto depreciation; and concluding with the Allocated Cost of Service/Marginal Cost of Service Study, general rate design issues.

We'll now take a roll call, beginning with the Company.

MS. CHIAVARA: Good morning, Commissioners. Jessica Chiavara, appearing on behalf of Public Service Company of New Hampshire, doing business as Eversource Energy. And with me here today is co-counsel Jonathan Goldberg, Senior Counsel from Keegan Werlin.

CHAIRMAN GOLDNER: Very good. AARP?

MR. COFFMAN: Yes. This is John Coffman, here on behalf of AARP New Hampshire.

CHAIRMAN GOLDNER: Okay. Thank you,

Mr. Coffman. Aleksandar Cook? Intervenor?

[No indication given.]

CHAIRMAN GOLDNER: Okay, not here. Clean Energy New Hampshire?

[No indication given.]

CHAIRMAN GOLDNER: Okay, not here. Community Power Coalition of New Hampshire?

[No indication given.]

CHAIRMAN GOLDNER: Not here. Conservation Law Foundation?

[No indication given.]

CHAIRMAN GOLDNER: Okay, not here. Rate LG Customer Consortium?

[No indication given.]

CHAIRMAN GOLDNER: Okay, not here. Mary Ellen O'Brien Kramer?

[No indication given.]

CHAIRMAN GOLDNER: Not here. New England Connectivity and Telecommunications Association, NECTA?

[No indication given.]

CHAIRMAN GOLDNER: Okay, not here. The New Hampshire Department of Energy?

MR. DEXTER: Good morning, Mr.

Chairman, Commissioner Chattopadhyay. Paul Dexter, Legal Director, for the Department of Energy. I'm joined at the counsel's table here by Liz Nixon, from the Regulatory Division, and Marie-Helene Bailinson, from the Legal Division.

In addition, we have various members of our regulatory and legal team sitting in the back, as well as several consultants and regulatory -- Regulatory Division members joining us via the web cam.

Thank you.

CHAIRMAN GOLDNER: Okay. Thank you, Attorney Dexter. The Office of the Consumer Advocate?

MR. KREIS: Good morning, Mr. Chairman, Commissioner. I'm Donald Kreis, the Consumer Advocate. Sitting to my left is our Staff Attorney, Michael Crouse.

At the beginning of the last series of Commission-attended tech sessions in this docket, I interposed a series of objections. I would like to reassert them here for the record. I assume it wouldn't be helpful or useful for me to go through those again today. So, I will skip those, other than just reasserting them for the record.

I also want to apologize and say that I'm having a little dental emergency that is going to require me to zap off to the dentist office this afternoon. So, that's why I won't be here. You know, I apologize, but Attorney Crouse will ably represent the OCA. And we do have various members of our staff scattered around the room who are keenly interested in what will be talked about today.

CHAIRMAN GOLDNER: Okay. Thank you, Attorney Kreis. Standard Power of America?

[No indication given.]

CHAIRMAN GOLDNER: Okay, not here. And Walmart, Incorporated?

[No indication given.]

CHAIRMAN GOLDNER: Okay. All right. I'll next just check to see if the Department of Energy, the Office of the Consumer Advocate, and AARP, or any other participant, I think I captured all three, plans to ask any questions of the Company today, or just reserve the right to ask questions later? How would the parties like to -- you know, the Commissioners will start with questions. And, then, we, of course, will provide an opportunity for the parties to ask questions as well.

Any plans to ask questions or just kind of reserving the right at this point?

MR. DEXTER: Well, speaking for the Department of Energy, we didn't prepare questions, but we would like the opportunity for follow up, if time is available.

CHAIRMAN GOLDNER: Okay. And, Consumer Advocate, I assume the same for your Office?

MR. KREIS: Yes.

CHAIRMAN GOLDNER: Okay. Thank you. AARP, same for you?

MR. COFFMAN: That's correct.

CHAIRMAN GOLDNER: Okay.

MR. COFFMAN: That's correct.

CHAIRMAN GOLDNER: Okay. Very good. Excellent. We'll proceed accordingly.

Okay. As we have had with the other sessions, we intend to have regular short breaks, and a one-hour break at noon. And I think, for the Department, Attorney Dexter, breaking at noon would be best for the Department?

MR. DEXTER: That will be fine, yes.

CHAIRMAN GOLDNER: Okay. I was informed, with the new clocking scheme, that that would be optimal for the Department to break at noon?

MR. DEXTER: Okay. Sounds good.

CHAIRMAN GOLDNER: Well, if I know more than you do, that is not possible. So, we'll break at noon anyway, and go from there.

Okay. So, if there's no other preliminaries, let us begin.

Yes, it's workforce management issues, is what I was informed of.

MR. KREIS: You know, at the risk of sending us down a rabbit hole, I actually asked Commissioner Arlinghaus what to do about the fact that I, when we're at hearings, don't control when we break. And what I was assured is that I am not obliged to make sure that my staff gets a break at the stroke of noon. The only thing the Fair Labor Standards Act requires is that state employees, on an hourly schedule, get at least a half hour for lunch, so -- or, even for a meal break.

So, I think the Commission, if it happens to be convenient to go until 12:15, I think you can do that.

CHAIRMAN GOLDNER: Okay. That is helpful. I think we're all learning about workforce management and how things are put together. So, I think that's very, very helpful, and give us all a little bit more flexibility.

MR. DEXTER: Yes. And, Mr. Chairman, I completely agree with the Consumer Advocate. If I looked puzzled, it was -- it was at the notion that it had to be at noon.

But, yes, a half-hour break, somewhere in the noon to 1:00 timeframe, would work for the Department.

CHAIRMAN GOLDNER: Okay. Okay, thank you, Attorney Dexter. I think that makes complete sense, and we'll proceed accordingly.

Okay. So, as promised, we'll start with vegetation management. I don't know if, Attorney Chiavara, if the Company would like to make some kind of opening remarks or anything, or we should just proceed with Commissioner questions?

We're fully prepared to start with questions, if that's a better approach?

MS. CHIAVARA: That is fine with us.

CHAIRMAN GOLDNER: Okay. Very good Commissioner Chattopadhyay, please begin.

CMSR. CHATTOPADHYAY: Thank you. So, I intend to ask some questions that are, in my opinion, clarifying questions.

And I'll start with -- this is the testimony of Robert D. Allen, and Bates Page 2215. And, once you're there, just let me know.

MS. MULLINAX: Hello?

[Court reporter interruption.]

UNIDENTIFIED SPEAKER: Hello. For Alta **[?]**, we're saying we need to be removing --

CHAIRMAN GOLDNER: Attorney Chiavara, do you know who's speaking?

MS. CHIAVARA: I do not.

CHAIRMAN GOLDNER: Okay. The Clerks Office, does the Clerks Office know who's speaking?

MS. RUSSO: I believe that was Ms. Mullinax.

CHAIRMAN GOLDNER: Okay. Ms. Mullinax, did you want to jump in or were you perhaps meant to be on mute?

MR. DEXTER: I don't think Ms. Mullinax had anything to say at this time. I suspect she thought she was on mute, if that was her -- if that noise was coming from her box.

CHAIRMAN GOLDNER: Okay. Thank you, Attorney Dexter.

Okay. Commissioner Chattopadhyay, please proceed.

MS. CHIAVARA: And, Commissioner, I just wanted to note that Bob Allen is joining us remotely today, but he is recovering from surgery. So, Mr. Ian Farley will be also speaking to -- answering veg. management questions.

CMSR. CHATTOPADHYAY: Okay. Thank you for letting me know.

So, a general question about relying on contracted arborists, hopefully I've pronounced it right. Like, how is it going over the last ten years? Have you been relying more and more on contracted people? Or, so, it's just, you know, if you can also opine on whether COVID had to do anything with it as well?

MR. FARLEY: Good morning. In regards to our contracted arborist workforce, the real value of that team is that we're able to bring in contractors that have certifications and license and education that make them highly qualified and skilled. They have a professional manner and a professional background to make assessments on the system. It will also help assist them, when they're speaking with customers, to have that professional background and education.

As far as the growth, we haven't seen a large uptick in contracted arborists as part of our workforce. Recently, we actually, this year, hired another internal arborist. So, I think our future plan is to foster internal growth on the Eversource side.

And, in regards to COVID, I don't think that had a real impact. Certainly, COVID impacted our program in many different ways. But, in regards to the contracted arborist workforce, I would say, no, there was no impact.

CMSR. CHATTOPADHYAY: Going to the next

page, there's a mention of, you know, "the Company created Utility Arboreta in Portsmouth at the New Hampshire Division of Forests and Lands Urban Forestry Center grounds at the Eversource facility on Legends Drive in Hooksett, New Hampshire." Was it just done recently or it's been there for a while?

MR. FARLEY: The one in Portsmouth, New Hampshire, has been there for several years. It was the first one that we developed in the State of New Hampshire.

The one that you're referencing, along Legends Drive in Hooksett, that was created two years ago.

And are you looking for more context to what those facilities provide?

CMSR. CHATTOPADHYAY: Yes, as well as, like, you know, was it the Company's own decision to go ahead and do it? Or, there were some discussions with the stakeholders that -- maybe even from the -- from the settlement from, you know, from the previous rate case?

So, I'm just trying to understand why it was done, and you can also give me the context.

MR. FARLEY: Yes. So, we also have one on the campus of UMASS-Amherst, as well as on our corporate campus, in Berlin, Connecticut.

So, the installation of the one at Legends Drive, in Hooksett, was to try to -- or, was a strategy to have representation in all three states. And, really, the value of that Arboretum, once it was built, designed, and ready for tours in Hooksett, we reached out to all the communities that we serve, stakeholders, such as town administrators, road agents, anyone that really crosses paths with us during the year while we're performing vegetation management on the system.

And what it was is an opportunity for us to show, you know, the value of trees in New Hampshire. And, by selecting trees, what we term or what's an industry term as "Right Tree, Right Place", it's an educational facility, where we can invite, you know, key stakeholders, such as municipal officials or local garden clubs, and we can set up tours. And we actually, at the Legends site, have a 3-phase distribution circuit that's overhead. And it's just really a great opportunity to show examples of the types of trees that not only we appreciate, but we encourage planting in and around our facilities.

CMSR. CHATTOPADHYAY: The costs associated with this, is that part of the rate case? You know, do the ratepayers pay for it?

I'm just trying to understand, that's all.

MR. FARLEY: Yes, I wouldn't be able to -- I would have to look into that. I don't have the exact answer to that question.

CMSR. CHATTOPADHYAY: Yes. It was more, because you mentioned that it also provides benefits to the municipalities, and, so, I'm just trying to understand where does the cost reside, and who picks it up?

CHAIRMAN GOLDNER: Does someone else at Eversource know the answer to that question?

MS. BOTELHO: I -- can you hear me? This is Ashley Botelho, from Eversource.

CHAIRMAN GOLDNER: Yes.

MS. BOTELHO: I don't know that question offhand. But we could follow up on whether or not those type of costs are included in the cost of service and where.

I don't remember, in my review of the cost of service, seeing that, but we can follow up.

CHAIRMAN GOLDNER: Okay.

CMSR. CHATTOPADHYAY: And I'm going to go to Bates Page 2218. So, just trying to confirm, where you talk about the "Customer Request Work", who pays for it? The customer does or the other ratepayers also pick up the tab?

MR. FARLEY: The Customer Request Work, that's part of our annual vegetation management budget. And what that is is, when we get customer requests in, we have our arborist staff go out and make assessments. Based on those assessments, we can determine if there is selective trimming needed, potentially hazard tree removals that the customer has made us aware of. Or, in some cases, the result of the settlement agreement is that we educate the customer and let them know that what they're requesting is outside of our scope, and that we request -- or, we inform them that they should reach out to a qualified local arborist to remedy their question or their inquiry.

CMSR. CHATTOPADHYAY: Okay. So, it is fair to assume, in that case, they take care of the cost?

MR. FARLEY: Yes, sir.

CMSR. CHATTOPADHYAY: In the last situation?

MR. FARLEY: Yes, sir.

CMSR. CHATTOPADHYAY: Okay. In Bates Page 2220, there's a discussion about the "sunsetting of ETT". How does it impact METT going forward? Like, does METT also get sunsetted at some point? You know, I assume it would. But does it happen right away? Or what's -- just give me a sense of what you do with the maintenance piece of it?

MR. FARLEY: So, the sunsetting or the proposed sunsetting of ETT will have no impact on the METT Program. The segments of the circuits that were enhanced, or the clearance was enhanced, as part of the ETT Program, will be maintained in perpetuity. What that means is we'll always have the METT Program to maintain those enhanced clearances that we were able to achieve.

CMSR. CHATTOPADHYAY: Thank you. Let's go to Bates Page 2221. And it's Lines 12 through 14. It talks about -- it says "If the contractor does not start the work as required, the Company may hire an alternate contractor to complete the work and back charge the original contractor for the cost of performing the re-work."

So, I'm just, out of curiosity, if you had experience with this, something like that, and if the expense of hiring the alternate contractor is not paid by the original contractor, what do you do? Like, are these costs picked up by ratepayers, or what is the process?

MR. FARLEY: So, it's not something I've experienced with ten years with the Company. It's put into our contracts really to control deviation from the annual plan with each contractor. So, if a contractor was to come in and say that they were not able to complete the annual work that they were assigned, we have that line item in the contract to discuss with their leadership, as well as our Procurement Department.

Again, it's not something that I've experienced in my time with Eversource. But the end result of that would be that the contractor, let's say, Contractor 1, that's failing to perform the work as scheduled, they would be held accountable for any sort of additional cost; it would not be the ratepayers.

CMSR. CHATTOPADHYAY: Okay. Do you -- when you said you "don't have any experience on this", and you "haven't seen it over the last ten years", are you simply talking about New Hampshire, or you're talking about the other states as well?

MR. FARLEY: I'm speaking specifically to New Hampshire.

CMSR. CHATTOPADHYAY: So, you -- but you're not aware of it, whether something like that may have happened in other states? And, if so, having that information, you know, might allow you to respond to the question somewhat differently?

MR. FARLEY: Perhaps. If it has occurred in Mass. or Connecticut, I'm unaware of it. And, again, it's written into the contract to give us some control over a contractor that's trying to deviate from the original plan.

CMSR. CHATTOPADHYAY: Okay. To the best of my knowledge, I can think about other utilities we've had issues before. So, that's why I'm curious what the reality is with respect to Eversource.

And this may be buried in the filing, but, if you can, if you look at Bates Page 2224, there's a mention of "Nashua Area Work Center SMT and METT" in Line 11. What is the dollar impact of this? Like, what does it -- what are we talking about in dollar terms, if you know?

MR. FARLEY: So, what happened there, the Nashua Area Work Center is, in the first -- or, in the beginning of our last four-year contract, it was awarded to one contractor. And, after the first year, they came to us and said that they were "no longer confident that they would be able to complete the work, looking ahead to the miles that were scheduled in the next year."

The result of that was we had to put that individual Area Work Center back out to bid as a single RFP. We brought in a new contractor to do that work, which was a net benefit for the Company, because it resulted in more crews being on the system daily.

But, as far as the delta between the original cost per mile and the second cost per mile, I would have to take that as a follow-up.

CMSR. CHATTOPADHYAY: Okay. And this didn't lead to the issue of somebody not doing the job, and then, you know, like the discussion we just had before this?

About somebody not completing the job, and what do you do then?

MR. FARLEY: No. What it was is Contractor 1, in the first year, was able to successfully complete the work in Nashua. They were also awarded other Area Work Centers across our system as part of a competitive bid. So, when they looked ahead at the miles, and their past performance of that year, they came to us proactively, and stated that they were "no longer confident that they'd be able to get all of the work done", which gave us the opportunity to place the Area Work Center out to bid. And, as I stated earlier, the result of that was actually bringing in a totally new contractor, which brought our crew count up.

CMSR. CHATTOPADHYAY: Staying on the same page, just out of curiosity, you talked about "ESRI", "Environmental Systems Research Institute". Is that something that's pretty typical? You've been doing it for many years? Or, is it, again, something new?

MR. FARLEY: It's been being used for the past -- it's been more used the past two years, and we've been building on it every year, we've been adding things into it. Starting this year, we're putting all of our SMT mapping on that platform. So, anyone that has access to the ESRI platform out in the field, on their phone or on a tablet, will actually see the highlighted circuits showing exactly where the SMT is prescribed. What that also allows is editing of the work in the field. Whether the work has been completed by the contractor, they can say it's complete, which initiates the quality control inspection, when the arborist goes out there, performs said inspection. If there's any go-backs or deficiencies, they're recorded and mapped.

And, really, the efficiency is having that tool in the field, it's geospatially located. So, when you're standing in front of a customer's property, you know, whether it's work that has not been initiated, or it was found to be deficient during our quality control process, not having to print out maps or go back to the office, you know, having that information real-time is where the efficiency comes from.

CMSR. CHATTOPADHYAY: So, this was roughly started two years ago. Can you tell me whether this was in place in Massachusetts and Connecticut before New Hampshire or not?

MR. FARLEY: It was organically grown in New Hampshire. And, since then, the other states have seen the benefits, and they have been working towards adopting the efficiencies that we've seen in New Hampshire.

CMSR. CHATTOPADHYAY: Let's go to Bates

Page 2230. Again, a general question first. Can you remind me, when did the -- when did the authorization of -- so, you're talking about CCI. The Company acquired CCI. So, when did that happen?

MR. FARLEY: I'd like to ask, is there anybody else on the call that could give me that timeline?

MS. BOTELHO: Hi, Ian. This is Ashley. I can answer that.

I believe the transaction was effective on May 1st, 2023.

CMSR. CHATTOPADHYAY: Okay. So, I, and this -- maybe I'm missing something, I don't fully understand, the money being spent before that date is now being reflected in the costs. The costs, so, for example, Line 9 through 11, it says "Therefore, the Company has actually spent an additional 17 million on vegetation management surrounding the CCI assets from February 10, in the years 2021 through April 2023."

I am -- so, my question is not necessarily as pointed as I'd like it to be, because I'm still sort of processing the information. I'm trying to understand, why doesn't the -- why doesn't CCI pay for it? Because, if --

MS. BOTELHO: So, as of May 1st, 2023, they no longer have joint ownership of that pole. So, they're not obligated to pay for vegetation management around that pole. So, the arrangement with CCI, the ownership arrangement that was in place prior to that point required them to reimburse the Company for vegetation management. After that point, they sold their joint ownership -- their joint ownership stake in that pole to Eversource. So, we now own the pole, therefore, we have the responsibility for trimming around that pole.

CMSR. CHATTOPADHYAY: I guess my question was, unless I'm misreading this, "Company had spent 17 million on vegetation management surrounding the CCI assets from February 10, 2021 in the years 2021 through April 2023."

So, I'm trying to understand what -- something that happened before May 2023, why are those costs being picked up by -- am I missing something?

MS. BOTELHO: You're not missing something. Part of that Settlement Agreement was the fact that -- and I was not here for this transaction, but I'll do my best to explain based on my understanding. So, prior to -- the whole purpose for the PPAM, the genesis, and the CCI transaction was the fact that CCI -- we had been invoicing CCI, they were delinquent. We entered into a Settlement Agreement with CCI, and settled on -- there were many terms in that Settlement Agreement, but one identification was that we had conducted vegetation management around those jointly-owned poles. It was around 17 million. Part of the Settlement Agreement allowed us to recover those costs, the Settlement Agreement that was approved allowed us to recover those costs through the PPAM mechanism. So, it resolved historical issues with CCI, as it relates to vegetation management around those previously owned joint poles. But, on a going-forward basis, that Settlement Agreement also established a purchase price for those assets, there were other terms in that

Settlement.

So, I know we have answers on this that can walk through the transaction at the time, and what was included as part of the Settlement Agreement, and how that impacts our cost of service going forward.

But, essentially, as of May 1, 2023, CCI does not own the poles, therefore, they're not obligated for the vegetation management around those poles. Prior to that point, we have resolved outstanding issues with CCI, one of them being reimbursements on vegetation management.

CMSR. CHATTOPADHYAY: Okay. Let's move on.

Let's go to Bates Page 2235. And I'm at Figure 3. Once you're there, let me know.

So, this trend that you're showing here, it's not necessarily only about VMP, right, tree-related?

MR. FARLEY: Yes, sir.

CMSR. CHATTOPADHYAY: So, you haven't done any specific analysis on what the tree-related work may have contributed? I mean, there's no component analysis, like there are different techniques that can be used to see what specific factors may be leading to the improvement in SAIDI. But that's not what you're saying. You're simply saying "Oh, there's this correlation", correct?

MR. FARLEY: Yes.

CMSR. CHATTOPADHYAY: Okay. Any updates on, you know, the contract? And I'm going to Bates Page 2237. And let's go to Lines roughly around 19-20, there's a -- says that "The Company is prepared to update its request in this proceeding to include the contract price for SMT in order to more accurately depict the budget needed for the SMT program." Has that already been done?

MR. FARLEY: Yes. That process is complete.

CMSR. CHATTOPADHYAY: Can you elaborate a little bit more what the delta was and how things have changed?

MR. FARLEY: You'd like me to discuss the results of it?

CMSR. CHATTOPADHYAY: Yes.

MR. FARLEY: Yes. I'd be happy to.

So, as stated, we went out for a competitive RFP for the next four years of our Vegetation Management Program. We had seen significant increases in pricing over the last two years of the previous contract. So, we anticipated to see that again.

The original pricing came in for the SMT, and that's a unit-based cost per mile. The original results of the bid were, as we expected, higher. We brought all the qualified bidders in to our corporate headquarters in Berlin, Connecticut, to meet with leadership from Vegetation Management, and as well as leadership from Procurement. Through a best-and-final process, we were able to reduce the cost of the SMT in 2025, basically flatlining it, compared to 2024.

You will see the 2026 cost, which is fixed, starts going back up. That has to do with individual circuits. The contractors will get all these circuits. And, if there's work scopes that can be challenging, such as off-road shunts of circuitry that traditional bucket trucks can't access, that is a cost-driver.

One thing we did see as the result of the best-and-final for 2025 is, through the procurement process, we were able to stabilize the costs associated with the SMT and METT maintenance programs. But, of note, we did see a range of increasing from 20 to 40 percent on the unit pricing associated with our hazard tree removal work. That is a large scope of our annual plan.

So, while we were able to work with leadership from Eversource Procurement to successfully place cost control on the SMT maintenance programs, we did see a significant uptick in the pricing associated with hazard tree removals.

CMSR. CHATTOPADHYAY: Bates Page 2242, there are those maps of New Hampshire there, with the number of tree-caused outages by year. Do you have the updated number for 2024?

MR. FARLEY: I do not. We would have that information early in the first quarter of '25.

CMSR. CHATTOPADHYAY: Okay. I'm going to go to Bates Page 2244. This is the last question.

Again, looking at the map of "Ash Trees in New Hampshire", so, Figure 6. What are those different colors representing? I don't fully understand.

MR. FARLEY: That's a good question. So, what this is, this is a screenshot from our ESRI platform. And the variation in color means the status of the tree. Ranging from it's been permissioned; we have reached out to the customer, we're still waiting to obtain permission; the tree has been removed by the contractor, but has not been quality controlled, inspected by the arborist team; once the arborist inspects that the tree has appropriately been removed, that color would change to "QC inspected - complete"; and then the final color you would be seeing is that the tree has been invoiced and paid.

CMSR. CHATTOPADHYAY: Okay.

MR. FARLEY: So, it's really just a plethora of statuses, what status the tree is currently in.

CMSR. CHATTOPADHYAY: So, you said

"it's a good question" because it was "the last question", or otherwise?

[Laughter.]

MR. FARLEY: Oh, when I looked down at it, there's a lot of the colors there. So, --

CMSR. CHATTOPADHYAY: Thank you. Dan.

CHAIRMAN GOLDNER: Okay. I'm going to reference mostly the Data Request PUC 2-032 from Mr. Allen.

And I'll just start with a question from the Executive Summary. It talks about, on Line 3, "While not easily quantifiable, hazard tree removal is the best tool". And, so, my first question is why isn't hazard tree removal easily quantifiable?

MR. FARLEY: I think that goes back to, while we can easily identify hazard trees, there's a lot of outside factors, such as localized weather events that may cause a tree to fail in an unexpected way. So, those types of outside influences that we aren't able to predict or control, you know, contribute to some difficulty with quantifying.

CHAIRMAN GOLDNER: And I may be using

the wrong definition. When you say "hazard tree removal", is that the tree's already impacted the line, or are you doing that before the tree impacts the line?

MR. FARLEY: Yes. So, I'm referring to the hazard tree assessments. So, as we're out there every day identifying hazard trees, it becomes difficult to know or anticipate when they're actually going to fail, you know, based on outside forces, such as weather.

CHAIRMAN GOLDNER: Okay. So, I would think the assessment would be straightforward. You have trees that you assess to be dangerous and what have you. I think what you're talking about, I don't want to put words in your mouth, but you're talking about translating that assessment into the actual removal, there's some variables in there. Is that what you're saying, or something different?

MR. FARLEY: Yes, sir. That's accurate.

CHAIRMAN GOLDNER: Okay. Thank you.

Okay. And, then, just following up on one of Commissioner Chattopadhyay's questions, there's a discussion of the "sunsetting of the ETT and FWC". I think that really just meant, my assessment was, that you're doing the same things, you're just putting your priorities in a different -- under a different heading. So, you're still, you know, it's just maybe the way that you're doing the assessment changed, and so, therefore, those two categories really got moved into a third category?

MR. FARLEY: So, what it is is, so, the ETT Program is bound by a zone that's defined by source to first protection device. So, while those zones, which are termed the "backbone", are the most critical, as we've gone through executing the ETT Program, we've started to, through work with Engineering, and, you know, better understanding where customers are, and where large tree-related customer outages are occurring, we begin to track them outside that zone. So, ETT'ing that circuit in the backbone from first device -- or, from source to first device won't remedy the tree-related issue that's further down the line.

So, what we're proposing or what our

strategy is is to take that sort of enhanced trimming and removal approach, and move it outside of that backbone zone further down the circuit, where those customers would realize a better impact from that work.

CHAIRMAN GOLDNER: Okay. Thank you.

Okay. I'm going to turn now to the table and chart that was presented in that same request, 2-031. Excellent table and chart, exactly what the Commission asked for. And we appreciate the clarity provided by the Company here.

So, I'm just going to go to the chart, and look at the "2023 Actual", which was the test year. And we see the significant jump from not only 2022, but prior years.

Is the Company saying that that jump was caused by the CCI pole transfer or not? What is that -- what are the components of that $10 million jump from 2022 to 2023?

MR. FARLEY: I'm not confident that it would be specifically associated with the CCI PPAM mechanism. But we did see increased costs as part of a Year 4 negotiation with our contractors, where pricing did go up and impacted our ability or impacted the investment required to get the work done.

So, I would say the leading indicator or the biggest attributer to the increase in that cost would have been the increases that we saw during negotiation with our vegetation management contractors.

CHAIRMAN GOLDNER: And the reason I'm focused in on this is the jump is considerable. It's mostly in "Scheduled Maintenance Trim", Line 1 on that table. It goes from about 15 million, 14.95 million, to about 24 million. So, roughly, a $9 million jump in that single category.

So, you know, if it was wages, and then renegotiation and so forth, one could understand some modest increase there, some, you know, single-digit percentage. But that's, you know, I don't know, let's see, a 60-70 percent increase. So, I'm just trying to understand what would cause such a gigantic jump?

MR. FARLEY: So, in that year, we did see some of the highest cost per mile, in regards to the SMT Program, that we've seen over the past contract. Good thing is, we were able to level set or renegotiate a more competitive rate for those Area Work Centers where we were seeing that significant cost increase over the end of the last contract.

So, again, I think the overall cost of the program increase was associated with higher costs than we had seen throughout the rest of that contract.

CHAIRMAN GOLDNER: Okay. And, then, sort of the corollary question is, when going from 2023 to 2024, the total cost in that chart goes down, from about 43 million to 40 million, and the cost of Scheduled Maintenance Trim goes from 24 million to 19 million. So, why would that be then?

MR. FARLEY: So, one of the biggest drivers in that total investment for the SMT workplan is geographic location. So, if we have a lot of miles, based on our five-year cyclical maintenance program, in areas such as the Bedford/Derry/Nashua Area Work Center, where there is certainly more need for police detail in those Area Work Centers, we'll see, in those particular years, the total investment increase.

And, then, in other years, when we have a lot of miles scheduled in more rural Area Work Centers, where perhaps some of the pressure, such as police detail, are not as abundant, the result is that we see -- we're able to get the miles done that year at a lower cost.

So, it's variable year-to-year, and it's where the circuits are scheduled throughout the state, based on the maintenance cycle.

CHAIRMAN GOLDNER: Okay. Thank you. I'm sure the parties, in the discussions in the coming months, will have lots of questions on the police detail costs and how that relates. I know that's been a topic of conversation before. So, I won't belabor the point here. But I appreciate the explanation.

I would just say that this summary is excellent. It's exactly what we asked for. It does, however, you know, not really clearly explain. I mean, one could say "Well, we're in a different area, and, so, therefore, the costs go up, and we renegotiate contracts, and so the cost goes up." But that's -- that's a fair amount of the hand-waving for these kinds of changes.

So, I would suggest that the Company put pencil to paper and do a transition analysis, so that it's clear why the costs are changing from year-to-year. It just looks -- the chart is excellent, and it really tells the story, which is, you know, costs are running along about $30 million, plus or minus, it suddenly jumps to almost 45 million, then it comes back down, and then increases at about 3 percent a year after the jump in 2023. And, you know, a rate case skeptic might say, you know, "It's odd that, you know, the largest" -- "that the largest spending, you know, happens to be in the rate year", and isn't repeated again until 2026. So, I would guess that the parties would have lots of questions on that trend line, as will the Commission eventually.

So, yes, a transition analysis from year-to-year to clearly explain what's happening in that transition, particularly 2022 to 2023 and 2023 to 2024, I think would help inform everyone in terms of what's going on.

MR. FARLEY: So, my only response to that is, in 2023, there was the approved rollover of additional funding for the Hazard Tree Program. I believe that's reflected here, so that that attributes to the total overall investment.

CHAIRMAN GOLDNER: Yes. And the Finance team at Eversource will probably know exactly what I'm talking about when I say a "transition analysis", when you're trying to explain the $10 million, it will be 3 million for this and 2 million for that, and a million and a half for this. And it's just a way of explaining to the parties, and eventually to the Commission, these aspects that you're describing with clarity, and so people can see the actual impact. But, you know, when you have a spike in a test year, that's always going to get questions.

Okay. For vegetation management, that's all I had. Commissioner Chattopadhyay, any follow-up on that topic before we move to the next topic?

CMSR. CHATTOPADHYAY: No. Thank you.

CHAIRMAN GOLDNER: Okay. Very good.

Let's move on now. Let me check with the parties first?

MR. DEXTER: Thank you. Yes.

CHAIRMAN GOLDNER: We'll go topic-by-topic, Attorney Dexter, and then we'll -- instead of saving the questions for the end. So, please proceed.

MR. DEXTER: Thank you very much. Yes. The Department did have one follow-up on the attachment that you referenced, which was labeled "PUC 2-031".

And the Department would like to ask the Company whether or not the numbers on this page reflect the recent bid results that were received that the witness referenced -- or, that the employee referenced earlier?

MR. FARLEY: The answer is "yes, they do." So, we have fixed pricing as part of the four-year contract for '25 and '26. The costs shown here reflects that updated pricing. And that's why you see the difference between the expected total investment for the maintenance program in 2025 and '26 increasing by that amount. Those are fixed costs. So, those are known increases based on the rates that we received.

MR. DEXTER: So, if I could -- just to follow up, the numbers in Columns I and J, "2025" and "2026", reflect the recent bids, is that what you said?

MR. FARLEY: Yes. That is correct.

MR. DEXTER: Okay. How about "'27" and "'28" columns?

MR. FARLEY: Those are forecasted using a percentage that we anticipated based on historical negotiations with these contractors.

MR. DEXTER: And going back to "2025" and "2026", which lines on this spreadsheet would have been affected by the bids that you talked about? Is it all of them or just certain lines?

MR. FARLEY: So, I'm looking at it right now. It would be Lines 1 and 2, which would be our maintenance program, that includes "Scheduled Maintenance Trimming", as well as "METT". And, then, as I stated previously, that would be Line 10. As part of that RFP, we request unit pricing, fixed unit pricing for hazard tree removal work. And that is where we saw the largest impact, as far as cost increase.

MR. DEXTER: And I think this is my last question. On years 2026 and 2020 -- I'm sorry, now I'm confused. In the years that reflect the fixed contracts are "2025 and 2026", I think you said, correct?

MR. FARLEY: Correct.

MR. DEXTER: Okay. So, for 2027 and 2028, could you explain again how you forecasted those figures?

MR. FARLEY: So, that was looking back on previous negotiations we've had with the contractors. There's also planned negotiations in '27, that would be halfway through the contract. The contractor is able to earn up to a certain percentage of increase. That's based on their performance in the first two years, specifically, to safety, their ability to get the work done, customer complaints. There's a scorecard that's developed. And, based on their scoring and performance in Years 1 and 2, they have the ability to negotiate an increase for 2027.

So, based on the historical

negotiations, and the way that the contract is written, that's how those percentage increases were derived.

MR. DEXTER: Thank you, Mr. Chairman. That's all I have. But I would like to ask if Joe DeVirgilio, from Willoughby Consulting, has anything that he would like to add?

He's appearing remotely, I believe, although I don't see his name on the screen.

MR. DeVIRGILIO: Paul, I do not have any further questions.

MR. DEXTER: Okay. Thank you.

CHAIRMAN GOLDNER: Any other questions from AARP or the OCA, before we move to the next topic?

[No verbal response.]

CHAIRMAN GOLDNER: Okay. Seeing none. Let's take a quick five-minute break. And let's return at 10:10, with Customer Operations and Digital Strategy.

(Recess taken at 10:03 a.m., and the technical conference reconvened at 10:11 a.m.)

CHAIRMAN GOLDNER: Okay. We'll start

back up again, with Customer Operations and Digital Strategy. Commissioner Chattopadhyay.

MS. CHIAVARA: Commissioners?

CHAIRMAN GOLDNER: Yes.

MS. CHIAVARA: If I could, I just want to make one correction to the customer testimony. On Page 02262, Line 10, pertaining to the New Start Program, it says that we've had "885,000 customers" participating, which would be --

CHAIRMAN GOLDNER: You've anticipated one of the questions.

MS. CHIAVARA: Yes. Okay. That would be impressive, because that exceeds how many customers we have. So, it's actually "10,000 customers".

CHAIRMAN GOLDNER: Okay.

[Chairman Goldner and Atty. Speidel conferring.]

CHAIRMAN GOLDNER: Yes. That's a good question that Attorney Speidel just brought up. You know, as things -- as the Company finds things and others find things in the testimony, does the Company have a recommendation on how to correct those?

We have other strange things that the Company has been addressing in the past, like, when the filings were in black-and-white, and then the scales were, you know, unreadable and so forth, do you have a recommendation on how we could handle these things as they come up?

MS. CHIAVARA: Yes. Since, due to the size of the original filing, and the difficulties that come along with that or challenges that come along with that, I would probably recommend just refiling the corrected pages, if that's workable on your guys's end?

CHAIRMAN GOLDNER: It is.

MS. CHIAVARA: Okay.

CHAIRMAN GOLDNER: Yes. Thank you.

MS. CHIAVARA: Sure.

CHAIRMAN GOLDNER: Okay. Commissioner Chattopadhyay.

CMSR. CHATTOPADHYAY: So, I have three questions on this topic.

First, since time has passed, is there any update on the costs, based on 2024 re-estimations, for both Fee Free and New Start?

CHAIRMAN GOLDNER: I'll help you with

that. The numbers in the testimony are different than the numbers submitted in 2-033. So, the correct answer is "yes".

And maybe the Company can highlight where those numbers have changed or why they changed?

MR. TRAYNOR: Hi. This is Dan Traynor. I can speak for New Start, the costs related to New Start.

So, in the testimony, the costs were through February and estimated, prorated for 2024. Now that we've had several months in 2024, where we have actual usage, we were able to do another proration in that Attachment 2-033, where we're just prorating the last two months of the year, versus ten months of the year.

MR. KISHIMOTO: This is Chris Kishimoto. And the same would be true for the Fee Free Payment Option.

CHAIRMAN GOLDNER: Very good. Thank you.

CMSR. CHATTOPADHYAY: Okay. This might require going back and doing some calculations, or maybe it's quick, I don't know.

But what I'm interested in is, counting both Fee Free and New Start, what is the total impact on the volumetric rates?

And this is assuming these costs are recovered from volumetric rates. This is just a hypothetical thought experiment. I want to understand what is the -- what the impact would be in terms of volumetric rates, per the filing?

And let me go to the third question, it's related. I would like to know what those numbers were previously, when, you know, the previous rate case, the settlement happened?

So, I just want to get a sense of how those numbers are changing. Is there a way to do that quickly, or is that -- or will that require going back and checking?

MR. KISHIMOTO: Is this for Fee Free or New Start, or both?

CMSR. CHATTOPADHYAY: Both. Total.

MR. TRAYNOR: Yes. As far as the volumetric charge, I don't have that information offhand. I think we'd have to go back --

CMSR. CHATTOPADHYAY: Okay.

MR. TRAYNOR: -- and get that

information.

Is this not working? Is it working?

[Court reporter interruption regarding the use of the microphone.]

MR. TRAYNOR: It's on.

CMSR. CHATTOPADHYAY: Get a little closer maybe.

MR. TRAYNOR: Is it working now?

CMSR. CHATTOPADHYAY: Yes.

MR. TRAYNOR: Okay. Good. So, as far as the volumetric charges for New Start and Fee Free, we don't have that information offhand. But I'm sure somebody on the team can get that.

CMSR. CHATTOPADHYAY: Okay. And, so, that would be one of the requests that I have.

I think I'll stop there. Thank you.

CHAIRMAN GOLDNER: Okay. My first question is just a "big picture" question for the Company, at the highest level. And that is, for the Fee Free and New Start, you know, Programs, or those types of programs, can the Company explain its position on why those are ratepayer expenses, and not shareholder expenses, because one view could be that this is brand-enhancing for the Company? It's good, when a customer calls, and somebody can say "Hey, this is free, there's no charge." Or, "We've got a program to, you know, pay these amounts."

It seems like brand enhancement. And, so, I just would like to understand the Company's position on shareholder versus ratepayer expenses?

MS. CHIAVARA: Dan -- or, Mr. Kishimoto and Mr. Traynor may be able to speak to this in more detail. And there's a chance we may need someone else, who is not here today, to speak to that.

But this was -- there was extensive testimony filed in the previous rate case, Docket 19-057. So -- and I was not a part of that docket, so I can't speak to it in any great detail. But it was examined pretty thoroughly, and determined to be collected from customers as a part of the settlement in that docket.

So, if you would like further testimony on that, or supplemental testimony, or something along those lines, we could take that back. But I can't speak to it in any detail here.

CHAIRMAN GOLDNER: And I just wonder if the logic has changed? You know, when Fee Free started up and New Start started up, the numbers were quite a bit smaller than they're becoming. So, if the original testimony was "Hey, these are a pretty small cost, and, so, ratepayers can pick it up", and so forth. That would be one line of logic. But, then, if the charges and the costs increase significantly, then maybe the logic is no longer valid.

So, I think it would be helpful probably to the parties, and certainly the Commission, to help at least the Commission understand why this is a ratepayer and not a shareholder expense.

MS. CHIAVARA: Uh-huh.

CHAIRMAN GOLDNER: So, okay. Second question is on, and I'm glad you clarified, Attorney Chiavara, earlier the number of customers, because that dramatically changes the next calculation.

So, it says in your testimony, on Page 2262, that about $6 million has been forgiven over the life of the program since 2022, for New

Start. And, so, with 10,000 customers, that means the average forgiveness is about $610. So, you know, if anyone disagrees with that calculation, let me know. But I think that's right. But, yet, there's a cap of $12,000.

And what I don't understand is, if the average is 610, you know, why is the cap of 12,000 needed, first? And, then, secondly, I would assume that the customers that are in this category, in fact, they have to be by virtue of what's in the testimony, they're in EAP or they're in LIHEAP, or what have you. So, if you're in EAP, and you're, for example, in the Category 6, you get an 87 percent discount. So, I'm not able to understand why the cap is so high, and why customers, you know, why that would be sort of necessary as a part of the program?

MR. TRAYNOR: Yes. So, the cap was implemented in order to kind of maintain costs of the program. Obviously, most customers, a very large majority of the customers that participate in the program never come close to that cap, with -- especially given the information that you said, the average customer was a $610 forgiveness. And, even on a monthly basis, the average forgiveness is $160 for those that receive the forgiveness.

So, the cap was there to sort of prevent customers with extremely high balances from eliminating it in a one-year timeframe, and to maintain the costs. So, those customers can still participate, it's just a longer program than 12 months, and they hit that cap, you know, if their balance is greater than $12,000 on a yearly basis, which there's not a lot of those customers.

CHAIRMAN GOLDNER: Yes. So, it would be, I think, interesting to understand what that distribution looks like. So, and the way that I'm thinking of it is, that these are customers that are on -- classified as "financial hardship". And, so, ostensibly, they're -- these customers are getting the steep discounts via the EAP Program, and this program comes on top of the EAP Program.

So, it's just really to understand, you know, perhaps explain to the Commission how this relates to the EAP Program, and what the distribution looks like, and why the cap is at 12,000, if the average -- if the average benefit is more like $600. So, just how all that fits together I think would be helpful for us to understand.

Another thing I noticed, on Page 2259, was that there's no limit on the number of times a customer can participate in the program and there's no down payment. So, it would be interesting to know if this even happens, if customers are participating multiple times, or if they're only participating once? That would be, I think, good to know.

MR. TRAYNOR: Yes. We can provide that information. As far as the study related to EAP, are you looking for, like, number of participants by EAP discount level?

CHAIRMAN GOLDNER: Yes. It seems logical that the folks classified on "financial hardship" built up the amount that they owe while on the EAP Program, but maybe they didn't. Maybe they had huge electric bills, and then realized they had a problem, and then, you know, were classified as "financial hardship", with a huge, looming bill.

So, anything you can do to help the Commission understand the environment, why the cap is so high, and what the logic is, is kind of just all that we're trying to sort out.

MR. TRAYNOR: Yes. So, we can provide something on that. And I can talk to you a little bit about the cap.

So, when the program was approved in the 2019 Settlement, there was a stakeholder group that was put together at the time, with a lot of the parties that are here in this room today, and others. And, over the course of several meetings, the characteristics of the program were developed, and recommended, and then a report sent to the Commission, and that was one of the items that was developed, and ultimately recommended for approval.

It kind of relates to, in Massachusetts, we have a similar program with a $12,000 cap. So, that was something that we kind of took the recommendation there and made it for New Hampshire as well.

CHAIRMAN GOLDNER: Okay. Okay, thank

you for that. And, you know, that would be -- it would be helpful to understand that piece of it, the interrelationships of the programs. And I understand how the cap got there, from our neighbors to the south. But, yes, it's just a question of, is that a, you know, is that a cap that makes sense or not?

The other thing that I picked up on was that, in the Fee Free at least, there was an annual max, at least that's what I understood the testimony to say, of 520K. And, since the spending, at least in 2023, and probably 2024, is over that, there results in a carryforward. Is that -- am I reading that right, or how does that work?

MR. KISHIMOTO: Yes. I would have to follow up on, you know, how the over- or under-recovery piece of that works.

CHAIRMAN GOLDNER: Yes. I think what I understood the testimony to say was that the Settlement said, from 19-057, was that there was a 520K max on Fee Free. And that we can see from the table that the spending is over that, which means there must be a carryforward moving forward.

And I didn't see a max proposed for the current rate case. So, I'm just trying to understand what's going on there?

MS. CHIAVARA: Chairman, I believe Ashley Botelho would be able to speak to that, but I believe she was demoted to "attendee". I did put a request in to have her moved back to "participant".

So, either we could stick a pin in the question. But, when we have Ashley back, she'll be able to speak to that.

CHAIRMAN GOLDNER: Okay. Can the Clerks Office move Ashley back? I think they just did.

MS. RUSSO: All set.

CHAIRMAN GOLDNER: Thank you.

MS. CHIAVARA: Thank you.

MS. BOTELHO: Hi. Can you hear me?

CHAIRMAN GOLDNER: Yes.

MS. BOTELHO: And, now, you got the playroom background. So, my office is also my child's playroom.

So, on Fee Free, the Settlement -- you

said the Settlement established a cap for what was allowed for the program. I'd have to go back. When we were developing the cost of service, we looked at what the actual costs for the test year period would be, and determining what would be included in base rates going forward, which was higher. I think we had estimated that to be around 792,000 for the rate year period.

And, then, part of the Settlement Agreement was also in recognition of, at this point, as of the Settlement Agreement, carrying forward to this case, we'd be eligible to reconcile the costs, and propose recovery of those amounts also through base rates. Which we are proposing that, and we've amortized those costs over five years.

So, I think that was --

CHAIRMAN GOLDNER: Yes.

MS. BOTELHO: -- Dan speaking, or Chris, we'd have to work on -- we'd have to look at, for the test year costs, what are those drivers.

CHAIRMAN GOLDNER: I'm looking at 2256,

and it talks about "a cumulative under-recovery of $528,000". So, it goes to my original question, Attorney Chiavara, it seems like there was a set of assumptions that were in the last rate case. Then, there was a spending that was more than the expectation. Now, there's under-recovery being sought. So, it just looks like things are different than what the original set of assumptions were. So, --

MS. BOTELHO: So, I know the Settlement Agreement established an amount to be recovered through base rates at that time. And the Settlement provision, and I can pull out the specific Settlement provision if you give me a moment, allowed for a reconciliation of that amount -- of those amounts, at the time of the next rate case. So, I do think it was anticipated that the amounts recovered in rates at the time of the 2019 Settlement would be exceeded and allowed to be reconciled at the time of this rate case.

But I can go back and pull those specific provisions. We have those provisions both for New Start and Fee Free.

CHAIRMAN GOLDNER: Okay.

MS. CHIAVARA: I would agree with Ms. Botelho's characterization of the last Settlement. They did anticipate a future reconciliation. I don't have the cite handy, but I can certainly pull it up as well.

CHAIRMAN GOLDNER: Okay. The testimony is reasonably clear on it. I don't think -- I don't know if that's necessary. It's just, it all goes back to this question of "shareholder versus ratepayer expense". And that's really -- that's really the focus of the line of questioning.

MS. BOTELHO: It's probably more clear in my testimony on the revenue requirement than the Customer team's testimony. And, so, I can pull out those references.

I provide a summary of the provisions in the Settlement Agreement for both Fee Free, and how we treated them for purposes of this cost of service. So, we are, in this cost of service, we're setting an O&M level, a representative level going forward for both programs. And, then, we're reconciling the costs from the 2019

Settlement Agreement provisions, and amortizing those costs over five years.

So, I can pull up those references so you have it. I think it's better described in my testimony.

CHAIRMAN GOLDNER: Okay. That sounds good. We can -- we can catch up on that in a bit. We can keep moving for now, and, then, as you find it, please jump in.

So, any follow-up on that particular section, Commissioner Chattopadhyay?

CMSR. CHATTOPADHYAY: No. Thank you.

CHAIRMAN GOLDNER: Okay. All right. Then, we can move on to depreciation at this point. Unless there are questions from the parties on this topic?

Yes.

MR. BURKE: Hi. Good morning, Chairman Goldner. Ray Burke, from New Hampshire Legal Assistance, representing Mary Ellen O'Brien Kramer.

We just had a couple of follow-up questions on the New Start Program.

CHAIRMAN GOLDNER: Okay. I think you

were not here during appearances, but we can gracefully move along. I just would like to pause, and make sure that Mr. Patnaude had a chance to record your appearance.

MR. BURKE: Thank you.

MR. PATNAUDE: Okay. All set.

CHAIRMAN GOLDNER: All set. Please proceed.

MR. BURKE: So, I just -- I wanted to just briefly reference the attachment to the Commission's Record Request 2-033. And I just want to understand, what's listed there as the total annual spending in New Start, is that just the amount that was forgiven or does that include any other costs associated with New Start?

MR. TRAYNOR: The amount in that attachment is just the amount that was forgiven for each of those years.

MR. BURKE: And, so, are there any other costs for the Company to administer the program that you've been able to --

MR. TRAYNOR: No. No additional costs, just the forgiveness costs. And, for the future years, obviously, those are projected.

MR. BURKE: Thank you. And, then, to follow up on the Commission's questions, my understanding of the eligibility requirements for New Start is that one of them is the participant has to meet the definition of "financial hardship" under the Commission rules. And the question was focusing on EAP and LIHEAP.

But, under the Commission's rules, my understanding is you can meet the definition of "financial hardship" in other ways. So, does the Company have a way of tracking how customers meet that definition? So, in my mind, they could potentially meet that definition without being enrolled in EAP, but I wasn't sure if the Company tracks that?

MR. TRAYNOR: Yes, that's correct. They can meet the definition without being enrolled in EAP. We do track whether or not they meet the definition or not of "hardship". But doesn't mean they can't be on the New Start Program without being on EAP. Like, they can be on New Start without being on EAP.

MR. BURKE: So, yes, I guess that's what I was getting at. So, you could tell if they met it, you know, by saying they met a different means-tested program, such as SNAP or Medicaid, that's referenced in the rule.

So, I guess what I was trying to get at when you responded, I'm guessing most customers are going to meet it through EAP, because that's just the natural connection. But, because of the broad rule, I wanted to just make sure that you'd be able to break it down by EAP and non-EAP participants?

MR. TRAYNOR: Yes, we can. That's something we do, that we can do, yes.

MR. BURKE: Because I think that would be helpful, given the question that was asked earlier.

MR. TRAYNOR: Okay. Yes. That's something we could add to it.

MR. BURKE: Thank you. And I think that's all I had. Thank you.

CHAIRMAN GOLDNER: Thank you. Any other questions?

MR. DAVIS: Mr. Chairman?

CHAIRMAN GOLDNER: Yes.

MR. DAVIS: Commissioner Chattopadhyay,

you asked about the volumetric rate impacts. So, I did a back calculation based on my assumptions.

For Fee Free and New Start, I have an expenditure, annual, of 792,000 for Fee Free, and about 4 million for New Start. So, the average rate impact to those are $0.0001 per kilowatt-hour for the Fee Free, and 0.00052 for the New Start. So, those two combined, there's a little rounding, but together $0.00063 per kilowatt-hour.

That equates, on a bill impact, if you assume those are allocated on a uniform cents per kilowatt-hour basis, for a 600 kilowatt-hour customer, Fee Free is about 6 cents, and the New Start is about 31 cents, all in.

CMSR. CHATTOPADHYAY: What was the last one again? Sorry.

MR. DAVIS: Thirty-one cents. Might round up to 32. So, about 6 cents and 31 -- 32 cents, let's leave it at that.

CMSR. CHATTOPADHYAY: Are you able to go back and check what it was in -- for the previous rate case, when these were introduced?

MR. DAVIS: I can find those and get

the numbers for you.

CMSR. CHATTOPADHYAY: Okay.

MR. DAVIS: Pretty readily, yes.

CMSR. CHATTOPADHYAY: Okay. Thank you.

CHAIRMAN GOLDNER: And before we leave the topic, I would just like to compliment the Company. The attachment for 2-033, the table and the charts are exactly what we were looking for. So, we appreciate pulling that together to simplify it. In a 20,000 page filing, this is deeply appreciated to have a clear view of what's happening. So, thank you for that.

Okay. So, we can move on now to the topic of depreciation, that's going to be Data Request 2-034.

Here, we don't have the helpful chart and information that we were looking for. So, I have to pause here to mention that.

Attorney Chiavara.

MS. CHIAVARA: Yes. We also do not have our depreciation expert. We were going off the topic list that was issued by the Commission, and we did not see "depreciation" included in there.

CHAIRMAN GOLDNER: Okay.

MS. CHIAVARA: I have sent out a request to him to see if he'd be available at some point today. And I also asked the Clerks Office to send him a link. I'm waiting to hear back.

CHAIRMAN GOLDNER: Okay. Excellent. Yes. There was the -- we asked for the same, the same bar charts, and then there was some -- there was a reasoning that it was not possible. But I'm looking at the table, and it's very possible.

So, hopefully, he can make it. And, if not, we can either, if we can't fit it in today, then we can always have this in January. So, no problem.

MS. CHIAVARA: Okay. Thank you.

CHAIRMAN GOLDNER: Okay. Well, that shortens the day a little bit, if he's not available. And, again, January would be just fine. It is, you know, in many ways more related to the January topics anyway.

Okay. So, we will, I think, wrap up the day with the Allocated Cost of Service Study and Marginal Cost of Service Study. And we'll begin with Commissioner Chattopadhyay.

CMSR. CHATTOPADHYAY: So, my questions are going to be on the MCOSS. And I have not too many questions, but trying to better understand the testimony.

So, first question I have is, there's something called "EPMC", and it is "Equal Percentage of Marginal Costs". Can you just describe what's going on there? When you say "equal", is it simply just whatever the shares are, those are the numbers that are going to be used? Because, otherwise, I don't understand the word "equal" there.

MR. DAVIS: Yes, Commissioner. I'm going to defer to Amparo Nieto. I know she has some information on that in her testimony and attachments.

But, Amparo, are you able to -- can you hear? Did you hear the question?

MS. NIETO: Yes. Good morning. Can everybody hear me?

CMSR. CHATTOPADHYAY: Yes.

MS. NIETO: So, the question is "what is the meaning of "equi-proportional marginal cost"?

CMSR. CHATTOPADHYAY: Yes. I mean, I'm trying to understand, I think I understood what it meant, but I'm just -- I'm thrown off a little bit, what does "Equal Percentage of Marginal Costs" mean?

MS. NIETO: Are you referring to my direct testimony in particular?

CMSR. CHATTOPADHYAY: Yes. Yes, it's Bates Page 19265.

MS. NIETO: Okay. Let me go to that cite. I mean, I can explain to you, but I'd like to see the context for a moment.

[Court reporter interruption.]

CHAIRMAN GOLDNER: Yes. Can the speaker slow down a little bit? We're having a hard time picking up all of your words.

[Court reporter interruption regarding the video on the Webex screen.]

CHAIRMAN GOLDNER: And, if the Clerks Office could put the picture on the screen, that would helpful as well.

MS. RUSSO: We cannot put someone's picture on the screen unless they turn on their video.

CHAIRMAN GOLDNER: All right. Then, we know what to do.

MS. NIETO: Okay. Can everybody hear me well now?

CHAIRMAN GOLDNER: Yes, but we still can't see you.

MS. NIETO: And I don't believe my camera is on. That's better?

CHAIRMAN GOLDNER: Yes, please.

MS. NIETO: Okay. Sorry. It's not using the right -- yes.

CHAIRMAN GOLDNER: Thank you.

MS. NIETO: So, --

CHAIRMAN GOLDNER: Oh, no. Now, we have a bandwidth --

MS. NIETO: I don't know why, it's not using the background that I wanted to use.

CHAIRMAN GOLDNER: Okay.

MS. NIETO: But, anyways. I'll change that later.

So, basically, "Equi-Proportional Marginal Cost", what it means is that, after you compute the marginal cost of service, by customer class, basically, the exercise requires that you take the marginal unit cost, say how much is the cost per kW, the incremental cost of meeting one of each kW of demand, then you multiply that times the load of every customer class, and you do the same with the marginal customer cost, multiplied by the number of customers in the class. At the end of this process, you get a marginal cost revenue amount from every customer class, meaning what are the revenues that the Company would obtain if the rates were set exactly what the marginal unit cost.

So, if the Residential class, for example, after doing this exercise, the Residential class marginal cost revenues is about 60 percent of the total overall marginal cost revenues using all customer classes, then, the notion of "equi" -- "equal proportional marginal cost", really means that, when you are going to allocate revenue requirement to customer classes using marginal cost principles, you would do it in a way that, in the end, the marginal cost -- sorry, the revenue coming from the Residential class should represent 60 percent of the total revenue requirement. In other words, you use the percentages coming out of the calculation of marginal cost revenues by class, and apply the same markup to every revenue amount, in order to reconcile marginal -- the total marginal cost revenues with the total revenue requirement that the Company wants to recover.

CMSR. CHATTOPADHYAY: Okay. Thank you.

MS. NIETO: Does that make sense? And, I mean, do you hear me properly?

CMSR. CHATTOPADHYAY: It makes sense. Of course, to be clear, I mean I'm an economist by training. So, I know what it is. But just I was a little bit confused with the term "equal percentage". So, that's what I was trying to understand. But this is a term that is used typically. So, I'm just going to leave it at that. But I understand what you explained.

So, let's go to Bates Page 19273.

MS. NIETO: In the marginal cost testimony as well?

CMSR. CHATTOPADHYAY: Yes.

MS. NIETO: Okay.

CMSR. CHATTOPADHYAY: Around Lines 17 through 19, you have discussed "DERs". And I'm just trying to make sure I follow this.

So, are you saying that the higher volumetric charges, relative to the marginal cost, lead to greater reduction of DERs than what is economically efficient?

MS. NIETO: Okay. Can you repeat the question? The volume was a bit low.

CMSR. CHATTOPADHYAY: My question is, are you saying that the higher volumetric charges, relative to the marginal cost, lead to greater reduction of DERs than what is economically efficient?

MS. NIETO: Well, yes. In general, your reference point is, when you're trying to set efficient price is to set the level of the price at the marginal unit cost. Meaning, for every new kilowatt-hour, or say not even hour, for every new kilowatt of power that the customer is using, the Company has to serve, it is economically efficient if the price reflects that incremental cost, right? What is the cost of serving that incremental load to the customer?

So, what this is referring to in my testimony is that, when that volumetric price really recover in excess of marginal cost, the actual incremental unit cost, what can occur is, especially, for example, let's talk about behind-the-meter solar adoption, if you are the customer, so, two things are happening. First, the customer uses on-site solar generation to serve their load. Automatically, it is really reducing his monthly bill by the amount of, you know, included in the electric -- in the volumetric charge, right?

So, when the marginal cost is higher than the actual -- is lower than the actual price for the kilowatt-hours, what is happening there is that there is an extra incentive for the customer to adopt DERs. Because the monthly, you know, the monthly bill is going to get -- is going to decline faster, because the price that he's avoiding to, you know, he no longer has to pay for that power to the utility, that price -- that bill reduction exceeds the actual avoided cost to the utility. And, therefore, there is an additional incentive for the customer to adopt

DERs that really -- it's not efficient in the sense -- or, it's not economic in the sense that the marginal cost of providing that power to the Company is actually lower than what the price -- the rates reflects.

So, there's a big chance -- there's a chance that the cost of obtaining that power really is now higher, thanks to the on-site -- thanks to the customer using the PV generation, it's higher than it should have been. The Company could have provided that power at a lower cost.

So, the term "uneconomic consumption" in, you know, in the context of economic or regulatory pricing, is trying to adopt prices that, in the end, ultimately leads you to the lower overall cost of service. So, rates are not properly designed, and there is some distortion in the prices, than -- such as, you know, a charge per kilowatt-hour that exceeds several times the marginal cost, that principle doesn't, you know, it's not respected, in the sense that you end up having an excessive amount of solar adoption that will have -- will have been, you know, it leads to an overall cost of service that, you know, is higher than it should have been. So, on a -- from a societal perspective, pricing equal to marginal costs should be the target or the reference point.

CMSR. CHATTOPADHYAY: Thank you. At Bates Page 19274, Lines 11 through 16, I'm just speaking to it generally here, you discuss the importance of capturing the shifting peak to hours later in the evening. You also mention that currently there isn't a pressing need to shift the peak hours, given the very low participation in TOU rates.

Do you have any ideas how TOU participation can be increased, so that ratepayers at large benefit from, you know, better implementation of the late occurring peak periods?

MS. NIETO: So, your question is what are they, you know, the alternatives to obtain a higher participation rate, a participation or enrollment rate in time of use?

CMSR. CHATTOPADHYAY: Yes. And, if you haven't, if you haven't thought about it, that's fine. I'm just curious whether you have any ideas?

MS. NIETO: Well, the typical -- there are a number of factors that can influence the level of enrollment in a time-of-use rate. It's not just one. It depends on the actual conditions of, you know, it depends, for example, customer location is a big one. It's an important factor, because often the rates are available to the customer. But, unfortunately, unless there is a very exhaustive or comprehensive reach-out to customers to let them know that they could save some -- they could save on their electricity bills on a monthly basis if they actually switch to time-of-use rates, sometimes that level of customer location and training or marketing is not quite sufficiently there, and it's really not uncommon. I see that happening across the country, that it's just one would think that the customer is really maybe whatever marketing materials are in the mail, but it may not be necessary. So, that is only -- not be sufficient. That is one factor that could be potentially looked at.

And, then, other times, if there -- if, for example, for a residential customer, their level of loads that they have, for example, if it's a customer that doesn't have a lot of flexibility in the way of being able to shifting loads from the peak hours to the off-peak hours, because maybe he works mostly outside of the home, and there is not much air conditioning at home, or because the customer doesn't have an electric vehicle, so he's not that interested in moving, you know, in -- he really doesn't have the flexibility in the load to be able to fully benefit from time-of-use rates. So, that's another factor.

So, some of -- to an extent, to the way that the Company can increase participation, some of that is out of their control, because it really depends on customer characteristics. How fast customers are adopting new technologies, electric vehicles, *et cetera*, that makes them more, you know, price-responsive to changes in prices throughout the day.

CMSR. CHATTOPADHYAY: Thank you. If you go to the end of your testimony, at Bates

Page 19278, Lines 11 to 13, where you are concluding on PSNH's proposed rate designs, you say "I would recommend at this time gradually increasing customers' distribution fixed charges towards the sum of monthly marginal customer cost plus facilities costs, taking into account bill impacts."

I just want to make sure that you are aware that the Company has requested multi-year rate-setting through PBR, right? Are you aware of that?

MS. NIETO: Yes. Yes.

CMSR. CHATTOPADHYAY: And, so, this movement towards better alignment of the fixed charges, with the customer's cost and facilities cost both marginal, are you suggesting that that should be done within the multiyear setting? Or, this is just a general statement that, over the next whatever so many years, the Company should move more and more towards the fixed charges reflecting the marginal costs?

So, I want to understand whether this is a recommendation for the multiyear, the PBR construct, or it's a general statement?

MS. NIETO: I didn't necessarily, well, you know, I didn't write this thinking about the PBR impact on customer incentives. PBR is a method to -- for the Company to control costs, trying to --

CMSR. CHATTOPADHYAY: Can I -- can I --

MS. NIETO: So, I don't know that they necessarily limits how you make the rate design.

CMSR. CHATTOPADHYAY: Can I just -- can I interrupt?

MS. NIETO: Sure.

CMSR. CHATTOPADHYAY: I know that. I'm not talking about -- I'm not confused about what PBR is. I'm talking about the multiyear package that's part of the rate design. So, I was simply mentioning "PBR", because that is also in the soup.

But, in terms of your recommendation, do you want to move to the marginal cost quickly, so that you can take care of this through this multiyear rate-setting? Or, your statement was more about "there's still gradualism, so it's going to take a while"?

MS. NIETO: Okay. My statement is

talking about "gradualism", because I would recommend -- it exactly says "I would recommend at this time gradually increasing customers' distribution fixed charges." So, I intentionally wrote the word "gradually", because, even though I am from an efficient kind of ratemaking goal point of view, you want to move quickly to volumetric charges that more closely really just recover changes in costs all the time, when the customers are changing demand, and the revenue requirement that it still needs to recover, that should be kind of ideally be recovered more on a fixed basis through the customer charge in this case, because it's a rate that only has two components.

I think that, even though that is the ideal end goal, one has to take into account that increase in the fixed charge to $40 or $45, that is what the number could end up looking, and thus have some implications in terms of intraclass customer bill changes, and, you know, affecting more the low-usage customers, relative to the average customer in the class.

So, basically, because of that

potential, you know, impact, one would recommend to do this in a step-by-step basis, gradually, basically.

CMSR. CHATTOPADHYAY: Thank you. The last question is more for the Company, really. I expect that this could be more like a record request, and can be drafted later.

So, what I'm interested in understanding, like, is, currently, you have estimated the fixed cost to be, and I don't remember the exact number, it was 40 some dollars, and the fixed charge is close to $19. I want to understand, previously, meaning over the last -- during the last rate case, what was that, whatever the rate was, the $13 or $14, what was the fixed cost at that time? So, I want to understand whether there is some movement already towards the marginal fixed costs?

So, this could be more for the Company to respond. I want to have a comparison between what is being proposed here, relative to how it was done previously, and maybe even going back further.

MR. DAVIS: Certainly. And, if this

helps support ultimately a record request, just looking at Docket 19-057, and that's the first time in many, many years that we applied a marginal cost analysis, on top of conducting an allocated cost analysis. So, from a marginal cost perspective, and as a premise, the discussion we just had, the question and answer, as the rate design, you know, interpreting the information and recommendations, I look at these results from the cost studies, but particularly we're talking the marginal cost study, as a guide.

In Docket 19-057, we had a very similar study, different numbers, but we used, and I'm just going to focus on the residential customer charge, which you had focused on, we had similar magnitude, order of magnitude, combined customer plus local facilities costs, you know, I don't know if they were exactly $40, we can double check, let's say they were 30 -- you know, upper 30s. So, that was our guide, to say "Well, where are we at the time with our current customer charge, and what do we propose?" The $13.68 that we ended up with was part of a settlement. But it's the result of having proposed an even higher customer charge.

And, then, you know, the other principles are really critical, right? The gradualism, the bill impact, looking across the spectrum of customers. So, we're always trying to strike that balance. But we had the same guide from the marginal cost study, with a higher combined fixed cost.

Now, I interpret the earlier discussion about "efficient pricing" to say, the more you do not put fixed-type costs in a customer charge, the more you have to collect that through the volumetric rate. So, there's always that balance that has to be looked at. So, the same -- the same considerations applied at that time. We were seeking to increase the customer charge, using, in fact, both the marginal and the allocated cost study on a unit cost basis as our guide. And, here, the same applies.

So, we ended up with a Settlement rate. We proposed the $19 and change, as I think you just saw it on one of the pages here. And that doesn't go to the $40 level, of course, but it's moving in that direction. So, we're trying to strike that balance. How far do you move the fixed charge versus any other costs that flow through the volumetric rate?

Now, in the context of PBR, I also further look at -- so, this is not something we asked Ms. Nieto to further study. But the PBR proposal would say, if there's an adjustment, and let's say it could go either way, plus or minus, but there's an adjustment to base rates, you allocate that to each class, what would you do in Residential Rate R to implement a change in the revenue requirement, so we have a new revenue target? So, really, the change gets allocated in some manner.

I look at this customer charge as we set that up front, and then the question is, do we allocate a share of any changes to revenue requirement due to PBR, just on the volumetric rate, or the non-customer charge piece, or do we do an allocation, you know, a share of that to also increase the customer charge accordingly, or decrease it, let's say, the adjustment?

So, I think, generally, the PBR

adjustments would flow to non-fixed costs, not the customer charge adjustments, through the term of the PBR Program. Again, I'm just looking at the framework that we proposed here.

So, the key is, we're trying to set that fixed charge, that customer charge, initially, and not necessarily seek to change that due to any adjustments in the revenue requirement. So, it's important to get that baseline of moving the costs more aligned with cost of service, and that's where the $19 proposal is. And, then, the question is whether, you know, we want to tweak that further, in maybe equal part -- equal percentagewise perhaps, for any changes to that residential revenue requirement?

So, that's the big picture, but also how we interpret and are trying to apply the recommendations and results of the cost study, both for the fixed piece, and then, obviously, the volumetric piece.

CMSR. CHATTOPADHYAY: Thank you very much.

MR. DAVIS: You're welcome.

CMSR. CHATTOPADHYAY: That's all I have.

CHAIRMAN GOLDNER: All right. First question is just at a very high level.

How much of the Company's costs are fixed versus variable? When we're all done doing the math, is it roughly 40 percent, or what's that percentage look like?

MR. DAVIS: I should know that, but now I'm on the spot.

[Short pause.]

MR. DAVIS: Why don't we say "40 percent" for discussion, and I'll double-check the number, if that helps?

CHAIRMAN GOLDNER: Thank you.

MR. DAVIS: Okay.

CHAIRMAN GOLDNER: That's perfect. So, today, today the fixed charge is 13.81, and the math that we're doing together here says that the total, you know, average bill is $100, so, you know, roughly, you know, 14, 15 percent, something like that, is charged today. And the Marginal Cost of Service Study shows that it should be more like, you know, $43, or roughly

40 percent. Am I summarizing that correctly, more or less?

MR. DAVIS: I apologize, I missed the last half of your question. Could you please repeat that?

CHAIRMAN GOLDNER: No problem.

MR. DAVIS: Yes.

CHAIRMAN GOLDNER: So, today, it looks like the Company is charging, via the fixed charge, about 14 percent, you know, in a fixed manner, and the Marginal Cost of Service Study shows about 40 percent. Is that right?

MR. DAVIS: So, if we're talking about Rate R, I was looking at our rate design detail, which has both the pricing and the revenues. I'm at Bates 19734. And I see about $75 million, almost 76 million, on the Customer Charge, and an additional 169 million, this is all in current rates, for the distribution volumetric rate. So, the total of those, about 245 million. So, 75, divided by 245, is the current relationship.

Proposed, at the $19.81, and I'm looking at $108 million for the customer component, compared to 359 million for the total distribution. So, it looks to me, having trouble doing the math quickly in my head, but there's actually less in the fixed charge in our proposal, in terms of just distribution revenue.

CHAIRMAN GOLDNER: Okay. Yes, we can just run through the math quickly here.

MR. DAVIS: Definitely -- definitely less.

CHAIRMAN GOLDNER: So, I'm getting, roughly, so, the math you just gave me was 75 out of 245, so that's 31 percent. So, today, the Company is charging 31 percent?

MR. DAVIS: That's correct.

CHAIRMAN GOLDNER: Okay.

MR. DAVIS: Yes.

CHAIRMAN GOLDNER: And, in the new proposal, it would be what percent?

MR. DAVIS: Thirty (30) percent, it turns out.

CHAIRMAN GOLDNER: So, the same.

MR. DAVIS: So, it's actually tracking proportionally.

CHAIRMAN GOLDNER: The same. Because where I'm lost is that the Company's filing --

I'm getting some feedback -- the Company's filing seems to indicate that it's trying to catch up. The Marginal Cost of Service Study shows that the fixed charge is, in a perfect world, would be much higher, and -- but the proposal here means that you're recovering the same amount as you did in the last rate case. So, can you just walk me through the Company's thinking there?

MR. DAVIS: Well, it's path-independent in a way, because we certainly looked at overall current prices. And, if you just did -- this was our first cut. I think we had discovery questions. But, just thinking the process, there's different paths to get to the proposed rates and, you know, the revenue requirement by component.

And, really, I would say one way to look at the fixed piece is, that really we're using pricing guidance to move to the new customer charge as proposed. And, of course, we have an overall class change in revenue requirements that we're also trying to implement through the combination of the customer charge and the distribution -- and the volumetric distribution rate.

So, I would say we did look at it both from both perspectives. We looked at "Well, what if you just change everything percentagewise?" But we also -- we're looking to further look at the class, like, where are they on a rate of return basis versus the proposed recommended rate of return? So, we had to make some changes there.

And, while we may have taken a path where, percentagewise, I'll change the customer charge and the volumetric rate at the same level, just to get a first cut. We then looked at the customer charge to say "Well, what's a reasonable movement of just the customer charge piece?" So, that's going to contribute to the total revenue requirement, the result of that. And the difference then falls to the volumetric rate.

CHAIRMAN GOLDNER: Yes. Just to -- thank you. The part I'm having trouble synthesizing is that, in Ms. Nieto's response on Page 4 of 5, it says that "The residential class currently contributes 58.47 percent of the total Company distribution rate revenues."

MR. DAVIS: Okay.

CHAIRMAN GOLDNER: "A strict application...would mean a 79 percent increase in the residential rates would be necessary." So, it looks like there's a significant disconnect between the residential piece and the C&I piece in the aggregate.

And, then, there's the separate problem of, what I understood the Company's position to be, which was closing the gap on the fixed charges, relative to the Company's actual fixed costs, and there is not being any gap closed there. So, I'm just having trouble synthesizing the Company's position.

MR. DAVIS: So, I interpret those higher percentages as being contained within the marginal cost perspective. And, obviously, marginal cost is less than our total embedded cost.

And, also, my understanding, and this is actually, you know, this is the practice, of course, that you would adjust your total revenue -- or, your marginal cost relationship, one could say you could do it proportionally.

But, obviously, you have to solve to what the total revenue requirements is. So, from a marginal cost perspective, those metrics, like I think you said "78 percent" was one of the values, I think that was more in the context of the marginal cost relationships, whereas here, I'm looking at the total cost of service for each of these components. So, we do have a cost -- that's where the Allocated Cost Study kind of comes into play as well. Because I have a total customer cost embedded and a total demand-related cost, even though we collect it on the volumetric rate, I have those two buckets of costs. And, of course, combined, that's the total class.

So, the equal percentage application, if you took your marginal cost times your units, you would get revenues. And, if you did that for both the customer and the volumetric base, you get revenues, that are still lower than the total class revenue requirement. So, I think my percentages have a bigger denominator, therefore, a lower -- lower percentages than let's say that 78 percent.

And I could analyze that, if you want a

specific, you know, reconciliation of that?

CHAIRMAN GOLDNER: I think that would be helpful. I think Ms. Nieto's testimony -- or, not "testimony", but the record -- the data response here was extremely helpful. And it certainly is a window into the Company's logic, and why it proposed what it did.

And I think, you know, sort of further development of these concepts would be helpful, in terms of understanding, you know, questions like, "Okay, the Company proposed 19.81 per month, relative to the 13.81 per month from the current rate case. So, why did the Company propose 19.81, and not 18.79 or 21.33, or what have you?"

"How is the Company taking into account the MCOS and ACOS Studies?"

"How does that relate to the total cost?"

Just, you know, for you, Mr. Davis, I suppose, just help us understand the Company's logic, in determines of how it got to where it got, because it's a little bit -- we have a nice window here, we're getting closer, but I don't think, at least speaking only for myself, I don't totally grasp exactly what the Company did and why it did it?

MR. DAVIS: Okay. So, would I expect, Chairman, that would be through a record request, either --

CHAIRMAN GOLDNER: We will. Once we get the -- once we get the transcript from today's session, we'll follow up with some record requests.

But, just in the spirit of thinking ahead, I'll just kind of describe a little bit of what I'm looking for.

MR. DAVIS: Okay.

CHAIRMAN GOLDNER: And I'll just add, in addition to that, Commissioner Chattopadhyay touched on this as well, is the transition from how you got from 19-057 to the current proposal. And I would even say, to what you're thinking about doing next time, if you're trying to close a gap, you know, give the Commission, give the parties some window into the Company's thinking of what gap are you trying to close, if you're trying to close it, and how does that look over time, so that everyone can understand what the Company's thinking is, in terms of how to handle this fixed charge.

Thank you.

MR. DAVIS: Love to respond to that. So, we'll do it a little off of what's in testimony, but, absolutely, it's really good, additional things that would --

CHAIRMAN GOLDNER: Yes. And I know I keep complaining about this, but, in 20,000 pages, I mean, it's sometimes hard to extract the key elements. And, so, that's what's deeply appreciated, in a lot of the topics we talked about today, because it really boils it down to the essence, the Commission, and, hopefully, it's helpful for the parties, too, understands what the Company is doing.

Commissioner Chattopadhyay?

CMSR. CHATTOPADHYAY: Yes. And, Dan, before you move on to something else, I want to see whether I've captured this right.

So, when we were talking about the 31 percent, --

MR. DAVIS: Yes.

CMSR. CHATTOPADHYAY: -- you know, those charges, you were really talking about revenue requirements, and relative to that what piece is fixed charges, that's what you were talking about?

MR. DAVIS: That's correct.

CMSR. CHATTOPADHYAY: And, to me, it's going to be useful to understand what the marginal costs were for the customer costs, related to customer costs and the facilities, last time around, when the $13, I forget what the number was, was set, I know it's a Settlement number, but it's extremely useful to me to understand what ratio was that $13 relative to that cost to the marginal cost analysis.

MR. DAVIS: Absolutely. Yes.

CMSR. CHATTOPADHYAY: And I want to understand what that $19.81 is relative to the marginal cost currently?

MR. DAVIS: Okay.

CMSR. CHATTOPADHYAY: Is there a -- so, just that would be helpful.

MR. DAVIS: That will give us two kind of points to see what the trajectory on those costs were, --

CMSR. CHATTOPADHYAY: Yes.

MR. DAVIS: -- and then the relative relationship proposed, --

CMSR. CHATTOPADHYAY: Yes.

MR. DAVIS: -- at the time, current, proposed, and then settlement.

CMSR. CHATTOPADHYAY: Maybe even include the proposed at that time.

MR. DAVIS: Okay.

CMSR. CHATTOPADHYAY: So, that might be helpful, too.

MR. DAVIS: Okay. Absolutely.

CMSR. CHATTOPADHYAY: And, I mean, clearly, when you talk about revenue requirements, it's a different animal in some ways, --

MR. DAVIS: Yes.

CMSR. CHATTOPADHYAY: -- because you're not talking about, you know, comparing the charges to the marginal signals. So, --

MR. DAVIS: Yes. The pricing versus the revenue requirements is always an interesting challenge, you know, to reconcile the perspectives, because the pricing -- the pricing is one major aspect, and the volumetric versus the customer charge get a different emphasis. And there's a lot of other considerations overlapping all of that.

But I will make sure we lay all of that out in a nice, succinct form, and we can --

CMSR. CHATTOPADHYAY: That would be helpful, and understood what you're saying.

Thank you.

CHAIRMAN GOLDNER: And it may even be helpful to go back to the rate case prior to 19-057, which I'm not -- I think that might be, again, in terms of trying to close the gaps, if that's what the Company is proposing, that would be helpful. And, then, kind of a forecast of what you would see in the future, just to piece together for the Commission what it is the Company is proposing, why they're proposing it.

MR. DAVIS: Sure.

CHAIRMAN GOLDNER: That would be helpful.

Commissioner Chattopadhyay.

CMSR. CHATTOPADHYAY: Yes. What I

understood from your back-and-forth, before the previous rate case, I don't know which year it was, but you didn't have any marginal cost of service study. Is that true?

MR. DAVIS: The last -- well, since 2000, since restructuring, we have submitted only allocated cost studies. And the case prior to 19-057, the Commissioner recognized that, and required that in our next case we would include a marginal cost study.

Prior to that, we had marginal cost studies in the 1990s, you know, in that era, and we were doing full marginal costs for all the functions: Customer, distribution, transmission, production. But that's when we owned, operated, and had an integral, you know, T&D system, as well as the Company owned generation.

So, I think what happened is, the marginal cost requirement, in concept, was no longer -- at the time of restructuring, for purposes at that time, not relevant. But, then, I think, through the cases, there were three rate cases, prior to 19-057, during, like, 20 years, 15 plus years. And only at that time did it start to become important to say "we need to take a new look at our marginal costs here."

And that's -- so, if we show what we propose in the basis, in the two cases back, that will be without a marginal cost study, but it's going to be unit costs off of an allocated --

[Court reporter interruption.]

MR. DAVIS: I'm sorry. Unit costs. It will be on a unit cost basis, is what I was saying.

So, glad to provide that as well.

CHAIRMAN GOLDNER: Okay. Thank you, Mr. Davis.

We'll turn now to any questions from the parties?

Attorney Dexter.

MR. DEXTER: Thank you. I don't have any questions. But I'd like to check with the consultants from Christensen Associates. I see one of their names on the screen here, to see if they have any questions on these topics?

MR. CLARK: Thank you, Paul. No, we do not have any questions.

MR. DEXTER: Thank you.

CHAIRMAN GOLDNER: Mr. Burke, any questions?

MR. BURKE: No.

CHAIRMAN GOLDNER: Okay. OCA?

MR. KREIS: None from us.

CHAIRMAN GOLDNER: Okay. Very good. And AARP?

MR. COFFMAN: No questions.

CHAIRMAN GOLDNER: Okay. All right. Well, I'll thank everyone for their participation in this technical conference. The Commission will issue a procedural order this afternoon canceling tomorrow, November 20th, technical conference. We look forward to seeing you all again in January.

This technical conference is adjourned. Thank you.

(Whereupon this prehearing technical conference was adjourned 11:21 a.m.)