

1 **STATE OF NEW HAMPSHIRE**
2 **PUBLIC UTILITIES COMMISSION**

3
4 **October 26, 2020 - 10:10 a.m.** **DAY 1**
5 **Morning Session ONLY**

6 *[Remote Hearing conducted via Webex]*

7
8 **RE: DE 19-057**
9 **EVERSOURCE ENERGY:**
10 **Notice of Intent to File Rate**
11 **Schedules. (Hearing regarding**
12 **Settlement Agreement)**

13 **PRESENT:** Chairwoman Dianne Martin, Presiding
14 Cmsr. Kathryn M. Bailey

15 Jody Carmody, Clerk
16 Eric Wind, PUC Remote Hearing Host

17 **APPEARANCES:** **Reptg. Public Service Company of**
18 **New Hampshire d/b/a Eversource Energy:**
19 Matthew J. Fossum, Esq.

20 **Reptg. Clean Energy New Hampshire:**
21 Elijah D. Emerson, Esq. (Primmer...)

22 **Reptg. The Way Home:**
23 Raymond Burke, Esq. (N.H. Legal Asst.)
24 Stephen Tower, Esq. (N.H. Legal Asst.)

Reptg. AARP:
 John Coffman, Esq.

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

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

Reptg. Residential Ratepayers:
D. Maurice Kreis, Esq., Consumer Adv.
Office of Consumer Advocate

Reptg. PUC Staff:
Suzanne G. Amidon, Esq.
Brian D. Buckley, Esq.
Scott M. Mueller, Esq. *(S. Mueller Law)*

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 DOUGLAS P. HORTON
 TROY M. DIXON**

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P R O C E E D I N G

1
2 CHAIRWOMAN MARTIN: We're here this
3 morning in Docket DE 19-057 for a hearing
4 regarding the Eversource Energy Petition for
5 Permanent Rates. A Settlement Agreement has been
6 filed for consideration.

7 I need to make the necessary findings,
8 because this is a remote hearing.

9 As Chairwoman of the Public Utilities
10 Commission, I find that due to the State of
11 Emergency declared by the Governor as a result of
12 the COVID-19 pandemic, and in accordance with the
13 Governor's Emergency Order Number 12, pursuant to
14 Executive Order 2020-04, this public body is
15 authorized to meet electronically. Please note
16 that there is no physical location to observe and
17 listen contemporaneously to this hearing, which
18 was authorized pursuant to the Governor's
19 Emergency Order.

20 However, in accordance with the
21 Emergency Order, I am confirming that we are
22 utilizing Webex for this electronic hearing. All
23 members of the Commission have the ability to
24 communicate contemporaneously during this

1 hearing, and the public has access to
2 contemporaneously listen and, if necessary,
3 participate.

4 We previously gave notice to the public
5 of the necessary information for accessing the
6 hearing in the Order of Notice. If anybody has a
7 problem during the hearing, please call
8 (603)271-2431. In the event the public is unable
9 to access the hearing, the hearing will be
10 adjourned and rescheduled.

11 Okay. Let's take a roll call
12 attendance of the Commission. And, when each
13 Commissioner identifies himself, if anyone is
14 with you, please also identify that person as
15 well.

16 My name is Dianne Martin. I am the
17 Chairwoman of the Public Utilities Commission.
18 And I am alone.

19 Commissioner Bailey.

20 CMSR. BAILEY: Good morning.
21 Commissioner Bailey, Kathryn Bailey. And I am
22 alone as well.

23 CHAIRWOMAN MARTIN: All right. Let's
24 take appearances, starting with Mr. Fossum.

1 MR. FOSSUM: Good morning,
2 Commissioners and parties. Matthew Fossum, here
3 for Public Service Company of New Hampshire,
4 doing business as Eversource Energy.

5 CHAIRWOMAN MARTIN: Okay. And Mr.
6 Kreis.

7 MR. KREIS: Good morning, Chairwoman
8 Martin, Commissioner Bailey, fellow rate
9 enthusiasts, I am D. Maurice Kreis, the Consumer
10 Advocate, here on behalf of the residential
11 utility customers of Eversource today.

12 And I am speaking to you from the
13 basement at the New Hampshire Department of
14 Justice, which is why there is a weird billboard
15 under my name that doesn't have my name in it.

16 CHAIRWOMAN MARTIN: Okay. And
17 Ms. Amidon.

18 MS. AMIDON: Suzanne Amidon, for
19 Commission Staff. And I'd like my co-counsels to
20 introduce themselves for the record.

21 MR. MUELLER: Good morning. Scott
22 Mueller, Scott Mueller Law Office, on behalf of
23 Staff. And I'm in my home office, by myself.

24 CHAIRWOMAN MARTIN: Thank you.

1 MR. BUCKLEY: Good morning. Brian
2 Buckley, on behalf of the Commission Staff.

3 CHAIRWOMAN MARTIN: Thank you.

4 And I'm going to walk through the list
5 I have. I have New Hampshire DES, Chris
6 Skoglund? I don't see him on my screen, though.

7 MS. AMIDON: Madam Chair, if I may.
8 This is Attorney Amidon. I believe that he will
9 be here tomorrow. The agenda item for his
10 discussion is scheduled for tomorrow.

11 CHAIRWOMAN MARTIN: Okay. Thank you
12 for that.

13 MS. AMIDON: Sure.

14 CHAIRWOMAN MARTIN: How about Clean
15 Energy New Hampshire?

16 MR. EMERSON: Good morning,
17 Commissioners. This is Eli Emerson, from the law
18 firm of Primmer, Piper, Eggleston & Cramer, on
19 behalf of Clean Energy New Hampshire.

20 Thank you.

21 CHAIRWOMAN MARTIN: Thank you. And
22 ChargePoint? Is anyone here today for
23 ChargePoint?

24 *[No verbal response.]*

1 CHAIRWOMAN MARTIN: Okay. Ms. Amidon,
2 as I read through, if they're not -- if you don't
3 expect them today, just let me know and I'll move
4 on.

5 MS. AMIDON: Yes. ChargePoint will be
6 here tomorrow morning.

7 CHAIRWOMAN MARTIN: Okay. And we have
8 AARP, anyone today?

9 MR. COFFMAN: Yes. Good morning, Madam
10 Chair. This is John Coffman, on behalf of AARP.

11 CHAIRWOMAN MARTIN: Excellent. Thank
12 you. And Walmart?

13 MS. AMIDON: Madam Chairwoman, I
14 believe they will not appear at all. But we
15 haven't heard from them.

16 CHAIRWOMAN MARTIN: Okay. Thank you.
17 Did I miss anyone who is here today? I see
18 Mr. Burke.

19 MR. BURKE: Yes. Good morning,
20 Commissioners. Raymond Burke, from New Hampshire
21 Legal Assistance, here on behalf of The Way Home.
22 And my co-counsel, Stephen Tower, also from Legal
23 Assistance, is in attendance as well.

24 CHAIRWOMAN MARTIN: Okay. Thank you.

1 Okay. Anyone else that I've missed?

2 *[No verbal response.]*

3 CHAIRWOMAN MARTIN: Okay. Hearing
4 none.

5 Let's move onto exhibits. I have
6 Exhibits 5 through 58 prefiled and premarked for
7 identification. Has anything changed with regard
8 to that?

9 MR. FOSSUM: Yeah, I do not believe so.

10 CHAIRWOMAN MARTIN: Okay. Excellent.
11 Any other preliminary matters?

12 MR. FOSSUM: This is Matthew Fossum,
13 from Eversource. I believe the only preliminary
14 matter, and there was a brief discussion about
15 this before the hearing began live, there are
16 some pending requests for confidential treatment
17 that have not been ruled upon.

18 It is my understanding, and I can be
19 correct me if I'm wrong -- well, I know that
20 there were no objections filed. And it is my
21 understanding that nobody has any objections to
22 the Motions for Confidential Treatment that were
23 submitted.

24 So, I just put that out there as those

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 have yet to be ruled upon. I note also, it's my
2 understanding, I don't expect anybody to be
3 addressing any confidential information. So, I
4 don't expect it to be an issue for this hearing,
5 but simply wanted to note that.

6 CHAIRWOMAN MARTIN: Okay. Thank you.
7 I appreciate that. We will treat all information
8 that has been marked "confidential" as
9 confidential for purposes of the hearing. So,
10 please, if anyone does need to identify
11 confidential information, let me know before you
12 do so, so we can get into a non-public setting.
13 And we will issue an order on the pending motions
14 after the hearing.

15 All right. So, let's proceed with the
16 first set of witnesses. Mr. Patnaude, could you
17 swear in those folks. And, Mr. Wind, could you
18 bring them up.

19 (Whereupon **Richard Chagnon,**
20 **Douglas P. Horton,** and **Troy M. Dixon**
21 were duly sworn by the Court Reporter.)

22 CHAIRWOMAN MARTIN: All right. Mr.
23 Fossum.

24 MS. AMIDON: Madam Chairman, I'll

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 qualify Mr. Chagnon first, if that is okay with
2 you?

3 CHAIRWOMAN MARTIN: Okay. Go ahead.

4 MS. AMIDON: Thank you.

5 **RICHARD CHAGNON, SWORN**

6 **DOUGLAS P. HORTON, SWORN**

7 **TROY M. DIXON, SWORN**

8 **DIRECT EXAMINATION**

9 BY MS. AMIDON:

10 Q Mr. Chagnon, would you state your full name for
11 the record please?

12 A (Chagnon) Yes. My name is Richard Chagnon.

13 Q And by whom are you employed and what is your
14 position there?

15 A (Chagnon) I am employed by the New Hampshire
16 Public Utilities Commission. And my position is
17 the Assistant Director of the Electric Division.

18 Q Mr. Chagnon, have you previously testified before
19 the Commission?

20 A (Chagnon) Yes, I have.

21 Q Did you participate in the investigation of the
22 Petition that's the subject of this proceeding
23 today?

24 A (Chagnon) Yes, I did.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Q Without going into specifics, what general areas
2 did you examine in connection with the Petition?

3 A (Chagnon) Well, there were many. I was assigned
4 as Staff lead for this rate case. I've been
5 involved in all aspects of the case, including
6 the review of testimony, issuing data requests,
7 attending all of the technical sessions,
8 providing testimony, and answering data requests,
9 and I participated in all of the settlement
10 conferences.

11 Q Thank you. And you said you wrote testimony. Is
12 your testimony identified as "Exhibit 30"?

13 A (Chagnon) Yes, it is.

14 Q And this testimony, as you said, was prepared by
15 you or under your direction, correct?

16 A (Chagnon) Correct.

17 Q Do you have any changes or corrections to that
18 testimony?

19 A (Chagnon) No, I do not.

20 Q And does it accurately represent your position on
21 the issues at the time that you wrote this
22 testimony?

23 A (Chagnon) Yes, it does.

24 Q Did you participate in -- you said you

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 participated in the settlement discussions?

2 A (Chagnon) Correct.

3 Q Did you participate in the final draft of the
4 Settlement Agreement?

5 A (Chagnon) Yes, I did.

6 Q And, so, you're familiar with the terms of the
7 Settlement Agreement?

8 A (Chagnon) I am.

9 Q Do you find -- do you believe also that the
10 Settlement Agreement, if approved, is just and
11 reasonable and is in the public interest?

12 A (Chagnon) Yes, I do.

13 Q And that it will result in just and reasonable
14 rates?

15 A (Chagnon) Correct.

16 MS. AMIDON: Thank you. I've concluded
17 with Mr. Chagnon. Thank you.

18 CHAIRWOMAN MARTIN: All right. Thank
19 you. Mr. Fossum.

20 MR. FOSSUM: Thank you. So, I'll begin
21 with Mr. Horton and Mr. Dixon. And I have a
22 series of questions, and I'll ask Mr. Horton to
23 answer first, and then Mr. Dixon after.

24 BY MR. FOSSUM:

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Q Could each of you state your names, positions,
2 and responsibilities for the record?

3 A (Horton) Yes. Good morning. My name is Doug
4 Horton. I'm Vice President of Distribution Rates
5 and Regulatory Requirements at Eversource Energy.

6 Q And, Mr. Horton, what are your general
7 responsibilities in your position?

8 A (Horton) I am response for and my group is
9 responsible for all of the distribution-related
10 rate filings that go before the Commission here
11 in New Hampshire, as well as our state regulators
12 in Massachusetts and Connecticut.

13 Q Thank you. And Mr. Dixon?

14 A (Dixon) My name is Troy Dixon. I am Director of
15 Revenue Requirements for Eversource Energy. In
16 that capacity, I'm responsible for the
17 preparation and presentation of distribution rate
18 filings and various other regulatory filings.

19 Q Thank you. And now, for each of you, returning
20 to Mr. Horton, have you previously testified
21 before this Commission?

22 A (Horton) I have not. I have testified a number
23 of times in Massachusetts and Connecticut. This
24 is my first time in New Hampshire.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Q And recognizing you have not testified here
2 previously, could you very briefly just give
3 some -- your background and qualifications? You
4 only need to be brief, because it is covered in
5 this. Just for the record here.

6 A (Horton) Certainly. I've worked at Eversource
7 for, I believe, fourteen years, in a variety of
8 roles, mostly in the finance organization, as
9 part of the regulatory group.

10 I have an undergraduate and a Master's
11 of Business Administration from Bentley
12 University, in Waltham, Massachusetts. And my
13 MBA is a concentration in Finance, my
14 undergraduate is an Economics and Finance degree.
15 I have three crazy sons.

16 Q And, Mr. Dixon, have you previously testified
17 before this Commission?

18 A (Dixon) Yes, I have.

19 Q Now, turning to -- well, I'll ask this first, by
20 way of clarification.

21 Mr. Horton, were you or have you taken
22 the place of Mr. Eric Chung, whose testimony was
23 submitted initially in this case?

24 A (Horton) I have, yes, substituted myself for his

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 testimony.

2 Q Okay. Very good. Now, knowing that, did you
3 both file testimony and attachments as part of
4 the Company's initial rate case filing back on
5 May 28th, 2019, which has been marked and
6 included as "Exhibit 6"?

7 A (Horton) I did. Mr. Chung did, and I've
8 substituted in his place, where he's taken
9 another position outside of Eversource.

10 A (Dixon) And, yes, I did as well.

11 Q And, for each of you, was that, understanding the
12 substitution issue, was that testimony prepared
13 by you or at your direction?

14 A (Horton) Yes.

15 A (Dixon) Yes.

16 Q And do you have any corrections to that
17 information this morning?

18 A (Horton) No.

19 A (Dixon) No.

20 Q And do you adopt that testimony as your testimony
21 for this proceeding?

22 A (Horton) Yes.

23 A (Dixon) Yes, I do.

24 Q And, similarly, did you both file testimony and

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 attachments as part of the Company's rebuttal
2 filing, on March 4th, 2020, and which has been
3 included as "Exhibit 44"?

4 A (Horton) Yes.

5 A (Dixon) Yes, I did.

6 Q And was that testimony prepared by you or at your
7 direction?

8 A (Horton) Yes.

9 A (Dixon) Yes.

10 Q And do you have any corrections to that testimony
11 this morning?

12 A (Horton) No.

13 A (Dixon) No.

14 Q And do you likewise adopt that testimony as your
15 testimony for this proceeding?

16 A (Horton) Yes.

17 A (Dixon) Yes.

18 Q All right. Thank you. Getting through -- moving
19 on now to the more important stuff. Did each of
20 you participate in the discussions, negotiations,
21 and drafting of the Settlement Agreement that's
22 under consideration before the Commission this
23 morning?

24 A (Horton) Yes.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 A (Dixon) Yes.

2 Q And are you both familiar with the terms of that
3 Settlement Agreement?

4 A (Horton) Yes.

5 A (Dixon) Yes.

6 Q Now, Mr. Horton, I guess, and Mr. Dixon, to the
7 degree that's necessary, but I'll start with
8 Mr. Horton. Could you please provide an overview
9 of the Settlement that is pending before the
10 Commission today? Understanding that the
11 document speaks for itself. So, you don't need
12 great detail. But, nonetheless, please, could
13 you provide an overview of that, that filing, and
14 the Company's perspective on it?

15 A (Horton) Yes, I can. First, just to provide some
16 context, as many of you know, when this case
17 first started, we noted in that filing all the
18 things that had changed in the ten years since
19 our last rate case, including the merger of
20 PSNH's parent company, the completion of the
21 divestiture of our generating assets, as well as
22 a number of other changes in our system
23 operations, significant amount of investments in
24 distribution capital, as well as improvements in

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 system reliability and performance.

2 As is typical in a rate case
3 proceeding, throughout the process there were
4 several parties that identified questions, at
5 times concerns, and offered alternate positions
6 on a number of elements of our proposal. And, as
7 a result of a lot of hard work, collaboration,
8 and compromise, particularly in light of the
9 challenges presented by the pandemic, I'm proud
10 to say that we're here today able to present a
11 comprehensive Settlement Agreement that's been
12 agreed to by all parties in the case. It's been
13 agreed to by Staff at the PUC, at the Office of
14 the Consumer Advocate, Clean Energy New
15 Hampshire, New Hampshire Department of
16 Environmental Services, The Way Home, Acadia
17 Center, Walmart, AARP New Hampshire, ChargePoint,
18 and Eversource.

19 We all know that a rate increase at any
20 time is difficult for our customers, and it's
21 particularly so in light of the current economic
22 challenges that are faced by many of our
23 customers due to the pandemic. But, as I said,
24 I'm proud to say that, through the Settlement, we

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 have implemented measures to ease the rate
2 impact to customers. For example, as I'll talk
3 about in a moment, we have proposed and agreed to
4 treat the excess deferred income taxes in the
5 Settlement in a way that will effectively
6 offset the bill impacts associated with
7 recoupment.

8 The Agreement covers a range of topics,
9 other than just the base rate change that will
10 result in an increase to customers. Those other
11 proposals will add value to customers, as well as
12 introduce additional transparency into our
13 processes to enable Eversource to continue to
14 make sound investments in our system, in an
15 effort to continually improve our customer
16 satisfaction and system performance.

17 So, we have four days of hearings
18 scheduled for this week. We have carved out
19 certain topics for each of the first three days,
20 and have reserved the fourth day for overflow.
21 Today, we'll be covering the general overview, as
22 well as the business process audit, and step
23 adjustments covering core distribution capital
24 investments, as well as the ROE and capital

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 structure. Several other topics will be covered
2 throughout the rest of the week, including
3 electric vehicles, base resilience investments,
4 the engineering assessment that has been agreed
5 to, a handful of rate design and tariff items, as
6 well as metering-related items. And then,
7 finally, we'll also discuss the arrearage
8 forgiveness proposal and fee free proposals that
9 will be in effect as a result of the Settlement
10 Agreement.

11 So, with that, in this section, I will
12 start by providing a general overview of the
13 Agreement. You'll notice throughout the
14 Agreement we did try to provide contextual
15 background in each section, in order to try to
16 introduce the why certain settlement terms have
17 been included and are structured in the way that
18 we are -- the way that they are. We also
19 provided details, where we had them, to codify
20 the specifics of our compromises, and also to
21 note where there was more work necessary, and our
22 commitment around that work that will be
23 following.

24 In the interest of your time, as part

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 of this overview, I won't be reading the terms of
2 every provision. I'll attempt to give a flyover
3 of each section at a very high level. And then,
4 of course, will be available for any questions.

5 I'm trying to watch faces, as I'm also
6 referring to my notes. Because, as folks who
7 I've worked closely with over the last several
8 months in completing the Settlement Agreement
9 know, brevity is not a word that's often used to
10 describe me, especially when I get going on rate
11 topics. So, if I notice heads nodding, I'll try
12 to speed it up.

13 But I did think -- we did think it was
14 important to try to provide just a brief overview
15 of the Settlement terms and, generally, what the
16 Agreement stands for.

17 Starting with Section 2, the "Revenue
18 Requirement Increase". We had originally
19 proposed a permanent increase of about \$70
20 million. At the end of the day, the Settlement
21 Agreement provides a permanent increase of \$45
22 million, inclusive of the temporary increase that
23 had been agreed to and has been in effect since
24 last summer.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 As a result, a Rate R residential
2 customer using 650 kilowatt-hours a month, would
3 see an increase of about \$1.97 per month, which
4 is about 1.64 percent, inclusive of the base rate
5 change and recoupment. These bill impacts are
6 included in Appendix 10 to the Settlement as
7 well.

8 The increase is the result of extensive
9 negotiations and compromise, as I said, the terms
10 of which are confidential. But, as you'll hear
11 this week, the Settling Parties all agree that
12 the result of this increase is just and
13 reasonable, and we hope that you will agree.

14 Section 3 discusses "Plant in Service".
15 As noted therein, there were questions raised
16 throughout the documentation of our plant
17 investments. And, as part of the Settlement
18 Agreement, in an effort to help resolve these
19 questions, we have agreed to conduct a business
20 process audit, the scope for which is discussed
21 in Appendix 2.

22 There is also discussion in
23 Section 2 [Section 3?] around the automated meter
24 reading investments. In 2013 to 2014 timeframe,

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 we converted our prior meters, which were
2 manually read by walk-up meter readers, to an
3 AMR, automated meter reading infrastructure,
4 where we now read the meters via drive-by
5 technology. Questions were raised during the
6 proceeding regarding our decision to invest in
7 that technology, as well as the accounting that
8 is associated with that technology. This is
9 covered in Section 4 and in Section 3.

10 In Section 3, we have agreed to
11 continue with additional process, working
12 collaboratively with the Staff and the OCA, in
13 order to verify the accuracy of the accounting
14 associated with retirements of the prior metering
15 infrastructure.

16 In Section 4, we have agreed to conduct
17 a feasibility assessment of advanced metering
18 functionality, which is meters that do not
19 require to be read via drive-by, but are read via
20 a communication infrastructure that is in place,
21 and allows for more real-time meter reading, as
22 well as additional functionality. That
23 assessment will include a number of different
24 scenarios, as well as will include an evaluation

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 of the life cycle costs and benefits, sensitivity
2 analyses, and other considerations.

3 And moving to Section 5, the "Storm
4 Cost Reserve", essentially keeps in place the
5 practice that exists today, except that it makes
6 exception for single large events that are not
7 otherwise covered by the normal process.

8 In Section 6, we describe additional
9 process related to vegetation management
10 recovery. There is an amount built into base
11 rates as part of this Agreement associated with
12 our vegetation management activities. As part of
13 this Agreement, we are agreeing to commit to
14 additional reporting requirements, as well as
15 additional transparency and tracking, such that
16 the recovery of our vegetation program tracks
17 with our actual costs. If we spend less than the
18 amount in base rates, customers will get the
19 credit. If we spend more than the amount in base
20 rates, we have an ability to recover the amount
21 above base rates up to 10 percent above the
22 amount in base rates.

23 Section 7 and Section 8, I won't dwell
24 on. They speak for themselves. And we will also

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 be talking about Section 8, "Cost of Capital",
2 later on this afternoon.

3 Moving on to Section 9, the Regulatory
4 Reconciling Adjustment mechanism is intended to
5 provide for a reconciling mechanism for certain
6 discreet categories of costs, that, in general,
7 are costs that are not within the utility's
8 direct control. And includes items such as
9 regulatory assessments and consultant costs,
10 property tax expenses, and lost revenues
11 associated with net metering.

12 It also includes the variance related
13 to vegetation management that I discussed
14 earlier. And then, finally, a provision related
15 to storm cost recovery, which is really a
16 carryover from the temporary agreement that we
17 had reached last year, and it will allow for the
18 amount that's built into base rates today,
19 subject or as a result of that temporary
20 agreement to be reconciled for actual audited
21 cost adjustments, and also our cost of debt,
22 again, both provisions of the Temporary
23 Settlement Agreement.

24 Moving on to Section 10, and there just

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 are a handful of other sections that I'll touch
2 upon. In Section 10 covers our step adjustments,
3 which will allow for three step rate changes, to
4 reflect actual nongrowth-related core
5 distribution capital plant additions for the
6 calendar year 2019, 2020, and 2021, none of which
7 are captured in the rates approved as part of
8 this proceeding.

9 That section also describes caps that
10 would be applied to those step adjustments, at
11 \$11 million, \$18 million, and \$9.3 million for
12 each of those three years, respectively. The
13 first step adjustment will go into effect on
14 January 1 of this year. And the second two will
15 go into effect on August of 2021 and August of
16 2022.

17 We have also agreed to continue to work
18 with Staff on a template for the filings that
19 will document the projects and costs associated
20 with those projects that are included in each
21 step adjustment. And we will incorporate the
22 results of that collaboration, as well as the
23 results of the business process audit that I
24 referenced earlier, to the extent that we're able

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 to, and to the extent it's applicable, into those
2 future filings.

3 In Section 11, we describe that we had
4 proposed, as part of our initial filing, to
5 accelerate certain types of investments, to which
6 several parties had asked questions and raised
7 observations about those proposals. We have
8 agreed, as a result, to conduct a third party
9 assessment of our system to evaluate the
10 cost-effectiveness of a number of our activities,
11 in order to inform the least cost integrated
12 resource planning process.

13 We have also agreed, as part of that
14 section, to conduct a customer survey, so that we
15 can incorporate and reflect specific information
16 from our customers in New Hampshire regarding
17 their prioritization of reliability and
18 resiliency versus costs.

19 Section 12 and Section 13 cover,
20 respectively, the fee free proposal, as well as
21 the arrearage management proposal, which will
22 also be the subject of topic at hearings later
23 this week.

24 The fee free proposal will eliminate

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 fees that are charged today to customers when
2 they wish to pay their bills by credit card, for
3 residential customers, which is a customer
4 dissatisfier. With this proposal, that fee will
5 no longer be charged directly to the customer.
6 And we have implemented a proposal, similar to
7 something that is in effect at Eversource in
8 Connecticut, in order to allow us to make that
9 transition.

10 The arrearage management proposal is a
11 new program in New Hampshire, whereby customers
12 who qualify will be able to have a portion of
13 their arrearage balances that have built up
14 forgiven in exchange for making timely payments.
15 This program offers customers a valuable tool to
16 enable the customer to develop consistent bill
17 payment habits, and protect those customers from
18 service disconnection while participating in the
19 programs.

20 Section 14 covers "Tariff and Rate
21 Design". There are a number of topics in there,
22 again, subject of a hearing day later this week.

23 And Section 15, I mentioned earlier,
24 "Recoupment". We had proposed and have agreed to

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 accelerate the excess deferred income tax credit
2 that is made available by the reduction in the
3 federal income tax rate. We're accelerating a
4 portion of that credit to customers, in order to
5 offset the bill impacts of recoupment. And with
6 that, we've been able to severely limit the
7 impact associated with that aspect of the bill
8 increase.

9 And then, finally, on Section 16,
10 related to "Electric Vehicles", the commitments
11 are straightforward and spelled out there. But
12 it essentially requires that we will submit a
13 filing within four months of the approval of this
14 Agreement, which will encompass proposals for
15 make-ready investments for electric vehicles.
16 And, as part of that proposal, we will develop an
17 alternative to demand charges for electric
18 vehicle charging rates, and that we will work
19 collaboratively with the Settling Parties on the
20 development of that proposal.

21 That completes my overview. I
22 appreciate the opportunity. And I thank you for
23 the chance to provide it.

24 And I'd also like to express my sincere

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 appreciation to all of you and to the Settling
2 Parties, and their support teams for all the hard
3 work that went into getting us to this point,
4 again, particularly in light of the pandemic and
5 the challenges it has created for people. I
6 appreciate it.

7 And we are ready to answer any
8 questions that you all may have.

9 Q All right. Thank you very much, Mr. Horton.
10 Just I think one question left for me, for you,
11 and then Mr. Dixon, is is it your position, and
12 the position of the Company, that the Settlement
13 that you've just given the overview of is just
14 and reasonable and in the public interest, and
15 that the rates specified in that Settlement are
16 likewise just and reasonable?

17 A (Horton) Yes.

18 A (Dixon) Yes.

19 MR. FOSSUM: Thank you. That is what I
20 have for the direct.

21 CHAIRWOMAN MARTIN: All right. Thank
22 you. And I understand that the Parties will not
23 conduct cross-examination, is that correct?

24 MR. FOSSUM: That is an aspect of our

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Agreement, yes.

2 CHAIRWOMAN MARTIN: Okay. Then, we'll
3 go straight to Commissioner Bailey.

4 CMSR. BAILEY: Okay. Thank you. Good
5 morning, everyone.

6 WITNESS HORTON: Good morning.

7 CMSR. BAILEY: I just have to get to
8 the beginning of my questions.

9 BY CMSR. BAILEY:

10 Q Okay. Can we start with Paragraph 2.3 please?
11 Can you tell me what this 5 million regulatory
12 asset is about?

13 A (Horton) We had agreed, as a condition of
14 Settlement, of course, the specifics of that
15 Settlement are confidential, the specific
16 concessions that are made in all directions. But
17 we had agreed to a number of concessions, and the
18 regulatory asset was one that is offsetting that
19 to be recovered over ten years, which results in
20 an amortization of half a million dollars per
21 year.

22 Q What's it for? What does it represent?

23 MR. FOSSUM: I believe, well, I'm
24 sorry, I don't know that I can speak for

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Mr. Horton. I believe it's a product of
2 Settlement, and it represents the position of the
3 Parties.

4 BY CMSR. BAILEY:

5 Q So, stated another way, instead of a \$45 million
6 increase, it's a \$50 million dollars increase,
7 but 5 million of it is spread over ten years?

8 A (Horton) That's not how I look at that. If it
9 were a \$50 million increase, there would be, you
10 know, \$5 million increase in each year. You
11 know, there is a basis to it. I'm struggling,
12 because I don't know how much I can get into the
13 specifics of it. There is a basis to it. The
14 Settling Parties agreed that the amount ought to
15 be recovered. It represents a real cost that New
16 Hampshire customers are, you know, ought to be
17 paying. And, rather than paying it each year, or
18 in one lump sum, it's the type of cost that
19 should be paid for over time.

20 Q Is it a capital investment cost?

21 A (Horton) It's an investment that has -- have been
22 made, it's a cost that has been made, which is
23 benefiting New Hampshire customers. And that
24 this is the appropriate recovery of that cost,

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 depending on the nature of -- associated with the
2 nature of it, that customers are getting that
3 benefit over time, and the recovery is
4 commensurate, also being recovered over time.

5 It's not an annually recurring expense
6 for inclusion in the cost of service. It's a
7 cost that has been incurred that the benefits
8 associated with that cost are in excess of it.

9 Q Can you tell me what the benefits are? I mean,
10 this is -- unless it's just a black box, you
11 agreed to a \$5 million additional revenue, I --

12 MR. FOSSUM: Yes. I believe --
13 Commissioner, I believe that's an accurate
14 statement about what that represents. Likewise,
15 in the prior paragraph -- in the prior section of
16 that same paragraph, there's a similar note.
17 Those are just items that we have agreed to as a
18 group and settled upon.

19 BY CMSR. BAILEY:

20 Q It doesn't include carrying costs, does it?

21 A (Horton) No.

22 Q So, it's just \$500,000 will be recovered every
23 year. Does that mean that the revenue -- that
24 the revenue that you have to require -- that you

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 have to collect every year goes up \$500,000 as a
2 result of this?

3 A (Horton) No, it's not. The revenue doesn't go up
4 \$500,000 as a result of this. What it is is, and
5 as Mr. Fossum mentioned, there were concessions
6 in the other direction to customers' benefit.
7 So, costs that had been incurred, that we're not
8 including in the settled cost of service. This
9 is included in the cost of service, and will be
10 for the ten years, until the cost is ultimately
11 recovered. Until the regulatory asset is fully
12 recovered and fully amortized.

13 So, once it's in, once the \$500,000 is
14 in the cost of service, it's not an additional
15 increase in year 2 or year 3 or through year 10.
16 It's being recovered. And then, when it's fully
17 recovered, that will go away.

18 Q Okay. All right. Thank you. Okay. I have --

19 CMSR. BAILEY: Actually, Madam
20 Chairwoman, I hate to do this on the fly, but do
21 you want -- do you want to ask questions about
22 Section 2 or should I ask all my questions about
23 the whole -- about the whole Agreement, and then
24 turn it over to you? What do you think would be

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 the best way to handle it?

2 CHAIRWOMAN MARTIN: I think, if you
3 want to just go ahead and ask your questions, and
4 if I have one that's related to an area you're
5 asking about, I'll put my hand up and see if I
6 can jump in.

7 CMSR. BAILEY: Okay. Thank you.

8 BY CMSR. BAILEY:

9 Q All right. The next section, "Plant In Service",
10 can each one of you tell me what you think --
11 what you think the templates will include for the
12 regulatory review? And this is to address some
13 testimony about how difficult it is to go back
14 and review prudence that's occurred over the last
15 ten years, since there was so much time in
16 between rate cases. Is that right?

17 A (Horton) It's -- excuse me, I can start. And
18 then, of course, others can jump in.

19 So, it's to review -- it's to get
20 clarity and understanding an agreement around the
21 presentation of the project costs for plant that
22 has been placed in service, which will be
23 reviewed as part of the steps, and then after the
24 steps, between rate cases.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 You know, as we said in the Settlement
2 Agreement, there were a number of questions
3 raised by Staff and other parties around our
4 presentation of the documentation associated with
5 those plant investments that have been made. You
6 know, certain things we just frankly didn't see
7 eye to eye on as a part of the settlement process
8 and those discussions. It was important to us
9 that we agree to a process going forward, so that
10 both parties -- all parties could have, you know,
11 more productive discussion and review in the
12 regulatory process.

13 So, our objective is to try to work
14 with Staff and other parties to develop a
15 template, so that we can have a clear, clean
16 presentation of the project costs, sort of over
17 the life cycle of those costs, so that it's easier
18 for Staff and other parties to evaluate reasons
19 for project cost variances or project scope
20 changes, which would result in additional
21 supplemental authorizations for approvals of our
22 projects.

23 So, we're working with Staff as part of
24 the step adjustment filing to accommodate what we

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 can now, and expect, as the Settlement says, to
2 continue to do that, and associated with the next
3 step adjustment filing, which will take place
4 early next year, and then again in the 2022
5 process. But, also beyond, as we -- as we can
6 incorporate or to the extent we can incorporate
7 any recommendations from that business process
8 audit into our processes, so that, when we get
9 into a regulatory review, again, it's -- there's
10 a clearer understanding of the presentation of
11 those costs. So that the presentation isn't
12 leading or, you know, isn't causing confusion or
13 concerns around the prudence of our investment
14 decisions. That it's more clearly able to
15 identify the life cycle of the project, again,
16 and what are the drivers for project changes and
17 cost changes.

18 Q So, once you come up with a template, do you
19 envision that you'd make a filing every year of
20 the investments, that someday, I'm talking about
21 after the step adjustments, that someday, in the
22 next rate case, there's a prudence review, these
23 templates would be filed in sort of real-time as
24 the investments are made? Or what do you

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 anticipate?

2 A (Horton) I actually wasn't anticipating that. It
3 was -- I don't think that was the intent of what
4 we were trying to accomplish with that. Not to
5 have, you know, the prudency review be undertaken
6 every year. But to make sure that, at the time
7 we get into a rate process, that, you know, the
8 template is clear, and that review is more easily
9 facilitated.

10 Q Yes. I didn't mean that we'd have a prudence
11 review every year. But that the documentation
12 necessary for approval to be sometime in the
13 future would be just saved in your files
14 somewhere or would it be filed at the Commission
15 every year?

16 A (Horton) Yes. Again, I wasn't -- I don't have
17 any particular negative reaction to that. But
18 that wasn't, I don't think, what we were
19 intending to do, to file it every year.

20 I know there are other compliance
21 filings that we make on an annual basis about our
22 project plans and things of that nature, that
23 would continue. This was, again, more for when
24 we're in that regulatory review process, that

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 where we have the complete documentation, and
2 it's taking a form that is facilitating the
3 review by the Commission and its Staff.

4 Q You know, I was struck by how overwhelming the
5 documentation necessary to make a prudence
6 determination on every investment over the last
7 ten years, or seven or eight years, since the
8 last step adjustment. And I think that maybe you
9 can think about filing the documentation
10 annually. Just talk about it, I guess, when
11 you're working on a template. So that it's not
12 quite as overwhelming when we get to a rate case.

13 So, can you tell me, Mr. Horton, before
14 we hear from Mr. Chagnon and Mr. Dixon, what you
15 expect the template to include?

16 A (Horton) Specifics, probably not as well. But
17 I'm expecting it's going to establish common
18 terminology. You know, it would have things like
19 the project number, the year placed in service,
20 the initial project estimate, the type of project
21 it is. We have projects that are -- we call them
22 "specific projects" that are identified and
23 they're tracked in one way. We have projects
24 that are blanket annual projects for programs

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 that we undertake every single year. And then,
2 there is another category of costs for projects
3 that had projects placed in service in prior
4 years, but then there are what we call "carryover
5 costs" that go into service in subsequent years.

6 And so, what we're trying to do is
7 present -- you know, realizing that that's the
8 reality of the business is run, and how costs are
9 incurred for the Company, we don't always have a
10 nice clean tie in a year for a project that's,
11 you know, created on January 1, and all costs are
12 closed to plant on December 31st or before. So
13 that it makes that review of a project by project
14 expenditures nice, clean, and easy.

15 So, we're trying to work with Staff to
16 come up with a way that will help to, you know,
17 acknowledge the real-world challenges that -- and
18 the real-world life cycle of a project. But
19 present it in a way, to your point, that is not
20 so overwhelming, and it's able to identify sort
21 of the life cycle of the project costs and the
22 life cycle of our internal approval processes
23 that acknowledges that, you know, there are these
24 real-world challenges that happen, that require

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 for the scope of the project to change, the
2 budgets to change and whatever, and that that's
3 not indicative to us, certainly, of a lack of
4 oversight, but just a real-world challenge that
5 occurred.

6 We want to be able to provide and
7 present the information in a way that makes it
8 easy for someone who's coming in, you know, after
9 the fact, reviewing a number of high-volume
10 projects, certainly, in the case of Eversource,
11 and help to try and come up with a way that makes
12 it easy for them to be able to do that.

13 So, it will include, you know,
14 project-specific details, initial project
15 estimates, pre-construction estimates, variances
16 and the reasons for those variances, or changes
17 in scope, if that's what's driving it, trying to
18 identify where those -- where the things changed,
19 again, to facilitate the review.

20 Q By "initial project estimate", is that the same
21 as the "conceptual project estimate"?

22 A (Horton) Well, I think that's what we're trying
23 to work on, is to establish, you know, a common
24 understanding and expectation of what's

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 reasonable for us to have at what stage of a --
2 what stage of a cycle -- or, of a project, you
3 know, from our perspective, that would help to
4 facilitate the prudence review. Because an
5 initial project conceptual estimate, which is
6 based on, you know, a concept, it's not based on
7 a fully engineered pre-construction estimate. It
8 is not going to have the level of accuracy that
9 we would need, expect them to be held for
10 prudence, you know, a prudence determination, if
11 we have our actual costs coming in different than
12 that.

13 But there is a point in time when we
14 certainly expect, you know, to be held
15 accountable for changes that may not be, you
16 know, that we should have been able to anticipate
17 or things of that nature.

18 So, I think part of why we agreed to
19 this, and the value that I see in it, is that it
20 is in establishing that common understanding and
21 expectation around what it is we're presenting
22 and how, and what we're calling, you know, what
23 we're calling each of the things, so we don't
24 have definitional issues that are causing

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 concerns and raising those questions. That we're
2 focusing on substance and focusing on -- yes,
3 sorry.

4 Q At what cost does the Company decide to proceed?
5 So, when you have a conceptual estimate, somebody
6 must say "yes, that sounds like a good idea. It
7 would be cost-effective to make that investment."
8 And then, you get to the pre-construction
9 estimate, which it looks like is usually higher,
10 looks like most of the time twice as high,
11 according to your rebuttal testimony.

12 At what point does the Company decide
13 to go forward with the investment? Is it at the
14 conceptual point?

15 A (Horton) So, I mean, we do have -- I'm not the
16 right witness to talk to the full project life
17 cycle in that, each checkpoint. But I think
18 those are the types of questions that we're
19 looking to be able to answer as part of this
20 template. You know, we come up with an initial
21 project estimate based on an identification of a
22 need. You know, we don't investment in -- we
23 don't move forward with every project that we
24 could. We have more system needs that we assess

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 than we are able to finance. And, so, it's a
2 process that we go through to prioritize, you
3 know, where is the greatest need, where do we
4 have to prioritize our activities, and we put our
5 efforts around doing that. And then, the
6 project's life cycle takes, you know, a life
7 cycle of its own.

8 So, to your point, we develop a
9 conceptual estimate at the initial outset to
10 identify that "yes, that's a need. We need to
11 pursue it." It wouldn't make sense for us to try
12 to have a fully engineered design quality
13 estimate before making that decision. It would
14 be too expensive and we wouldn't get anything
15 done. So, that's just a natural -- that's how we
16 do it. And I'm sure our experts would testify
17 that that's the best practice.

18 There is a point in time where maybe
19 you get into it, though, and say, you know, "the
20 scope is different, the work required is
21 different." And, so, it isn't that it's twice
22 the original estimate. That original estimate
23 was a conceptual design based on a need of the
24 system to move forward to identify or to correct

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 a challenge that we see on the system. So, that
2 challenge is still valid, the challenge is still
3 real. It's just that the cost is now different,
4 all right. But we still have to address the
5 issue that was identified. And, so, it's about,
6 in my opinion at least, it's about trying to
7 provide the right documentation in a cohesive
8 manner, to enable the review of, you know, how --
9 to make sure that that change in project estimate
10 is justified, and the decision to move forward,
11 once that estimate changed, is also still
12 justified.

13 Q Do you -- you and I could probably talk about
14 this all day, but I do want to hear from Mr.
15 Chagnon and Mr. Dixon. But one more question.

16 Do you -- how often would you say a
17 project does not go forward, between, you know,
18 you have a conceptual estimate, you identify a
19 need, and then you get a pre-construction
20 estimate, and you say "Oh, that's no longer
21 worth" -- you know, "it's no longer
22 cost-effective to make that investment. We need
23 to look at another option." How often does that
24 happen?

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 A (Horton) That I really can't speak to the
2 specifics of that.

3 Q Anybody know?

4 A (Horton) I don't think me or Troy don't -- we're
5 not in the -- you know, we don't manage the
6 projects, we're not on the engineering side. So,
7 I would say that Erica, who is going to be on in
8 a little bit, may have some visibility into that
9 from her role in investment planning, she's not
10 in that role anymore, so she may have some
11 insights into that. Or, later in the week, I
12 know that we have Lee Lajoie testifying.

13 Q Okay. Okay. So, if I get into questions that,
14 you know, I don't really understand the whole
15 process of, you know, when and where I'm supposed
16 to ask my questions. So, if the questions are
17 for another time, if somebody could let me know,
18 that would be really great.

19 All right. Could I ask Mr. Chagnon
20 what you expect the template to look like?

21 A (Chagnon) Well, the template, at first, is
22 focused on the step increases, the adjustments.
23 And it really is to address the original concerns
24 that were identified in Mr. Dudley's testimony.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Not certain what it will look like.
2 However, the outcome is really to have a more
3 effective and efficient review of the step
4 filings for Staff and for the OCA. Eversource,
5 being such a large utility in New Hampshire,
6 there's so much information that we need to look
7 at. And the template will help us eliminate data
8 requests, so we would receive information up
9 front, and it would be more efficient for Staff
10 and the OCA.

11 Q Mr. Dixon, do you have any expectations of what
12 the template is going to look like?

13 A (Dixon) I don't think I have anything more than
14 what Mr. Horton said. I think, for us, it's
15 about, you know, creating a consistent
16 presentation with common terminology that really
17 aids in the ultimate review of these projects.

18 Q Will the Commission have any involvement in
19 reviewing the template before you put it into
20 place?

21 A (Horton) We, and Mr. Chagnon can chime in if this
22 isn't how he's expecting it to work, my
23 expectation is was not that we'd go to the
24 Commission explicitly for a review of the

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 templates prior to us using them. That we'd work
2 with Staff and the OCA to get a common agreement
3 on what that template should look like.

4 Again, we've done that for the first
5 step agreement, which is currently under review.
6 We realize it's going to continue to evolve.
7 And, so, we'd certainly get the Commissioners'
8 feedback as that process plays out in the context
9 of the steps. But I wasn't expecting to take it
10 to the Commission prior to us, you know,
11 following it, once we had agreement amongst
12 the -- the Parties working on it together, that
13 was our plan, was to move forward with it.

14 Q What happens if you don't get a common agreement?

15 A (Horton) We didn't build in like an arbitration
16 process into it. I don't think that's necessary.
17 I think we'll -- I think we'll be able to get
18 agreement on it. And we also have the business
19 process audit, which will be run by Staff, which
20 none of us can predict the outcome of what
21 recommendations would come from that.

22 And, certainly, we expect that, if we
23 disagree or don't agree with certain things, then
24 we'll have to be presenting a case in whatever

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 process and form that that takes.

2 But, you know, we were -- I'm
3 confident, based on how this process has gone,
4 that we're going to be able to work together and
5 be reasonable to come up with a template that
6 works to facilitate this process, I don't foresee
7 that as being a major obstacle.

8 Q Mr. Chagnon, do you have any concerns that you
9 will or won't reach a common agreement?

10 A (Chagnon) Staff doesn't have any concerns. We're
11 confident that we will reach agreement. And the
12 Company, the OCA, and Staff are on the same page
13 on this issue.

14 Q Okay. Great. Thank you. Can you talk a little
15 bit about the business process audit and how that
16 plays into this?

17 A (Horton) Sure. Like I said, Staff and other
18 Parties had identified questions and issues
19 during the course of the proceeding on our
20 project documentation. And, so, this was -- it's
21 described in Appendix 2 to the Settlement
22 Agreement what the scope will be of that business
23 process audit. And, so, it was intended to
24 provide a third party review of our business

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 processes, and to, you know, provide
2 opportunities for improvements into how we manage
3 our projects and oversee the costs associated
4 with them.

5 Q Okay. Thanks. Let's move on to the metering
6 section. Starting with Paragraph 3.3, and the
7 "nine-year depreciable life for existing AMR
8 infrastructure", can you tell me what the usual
9 service life of an analog meter is?

10 A (Horton) An analog meter? Do you mean the meters
11 that we have currently in effect?

12 Q No. The ones that you took out and replaced with
13 AMRs?

14 A (Horton) I actually don't know that offhand.

15 Q Is that a question for another panelist?

16 A (Horton) I think we can get that. And I'll be on
17 every day. So, I could -- if I can't get it by
18 this afternoon, I can get that information and
19 come back to that.

20 Q Okay. Why did you choose a nine-year depreciable
21 life for AMR meters?

22 A (Horton) I think the intent of that was, again,
23 tied to Section 4, where we have agreed to
24 conduct a business -- or, excuse me, an advanced

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 metering functionality, assessment of advanced
2 metering functionality, which recognizes that,
3 eventually, we will be moving -- we will have to
4 replace the AMR infrastructure that's in effect
5 now. Eventually, those meters will no longer be
6 effective, they will need to be replaced. And a
7 lot of times what happens with companies that are
8 replacing AMR or any metering infrastructure,
9 there is an undepreciated balance of assets,
10 which can become a challenge in jumping to a new
11 technology.

12 I think that we recognize, Eversource
13 at least, at least we recognize that eventually
14 we're going to have to replace those meters. The
15 technology of choice is likely to be AMI. And,
16 so, we're agreeing to come up with an assessment,
17 to develop an assessment of that path, from where
18 we are today to where we would eventually go in
19 the future. And what technology can be enabled
20 along the way while we still have the metering
21 infrastructure in place that we do.

22 The nine-year depreciable life, you
23 know, we installed these meters, the AMR meters
24 in the early 2000s, as I mentioned, 2013 to 2014

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 timeframe. So, we're already six, seven years
2 into the deployment of those meters. I believe
3 we have an estimated useful life of 20 years for
4 those meters generally. And so, this was
5 acknowledging that there ought to be an
6 acceleration of the depreciation of those, those
7 meters, a reasonable acceleration of those
8 meters, that will help to facilitate, but there
9 will not be as much of an unrecovered balance of
10 those assets when we get to the point to replace
11 the AMR meters.

12 Q Are you asking the Commission in this Settlement
13 Agreement to find that installing AMR meters in
14 2013 and '14 was prudent?

15 A (Horton) Yes. The Settling Parties have not --
16 have agreed or have made no -- have not found
17 that decision to be imprudent. We are -- we have
18 agreed to, because of questions raised, or there
19 were questions raised, we are agreeing to conduct
20 an assessment of how to utilize that investment,
21 like I said, to enable AMF, advanced metering
22 functionality, with the use of those meters, and
23 to establish, essentially, a road map that will
24 assess the timeline, the costs, and the benefits

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 of AMF in New Hampshire for our customers.

2 Q You just said that the useful service life of an
3 AMR meter is 20 years, and you want to depreciate
4 them in nine years, and replace them in nine
5 years? Is that what you're saying?

6 A (Horton) We haven't made any determination about
7 when we will replace them. That's not what I
8 said. We're not agreeing --

9 Q Go ahead.

10 A (Horton) We have not determined when it will be
11 appropriate to replace them. But we have agreed
12 to conduct an assessment of, again, the road map,
13 if you will, of where we are today, to where the
14 functional -- where we will go into the future,
15 acknowledging that at some point in the future
16 the meters will need to be replaced. And,
17 generally, when the metering infrastructure
18 starts to fail, you replace -- you don't just
19 replace them as they fail, you try to get ahead
20 of it. And, so, at some point, we're going to be
21 faced with a decision, like we are in Connecticut
22 and in Massachusetts, where we had installed the
23 AMR meters years prior to where we did in New
24 Hampshire. As those meters reach the end of

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 their useful life, a decision has to be made.
2 And it's likely to be made, we anticipate at that
3 time it will be, you know, whatever is the state
4 of technology at the time. And we're expecting
5 that to be AMI, as the technology continues to
6 advance and becomes more prominently deployed
7 throughout the country and elsewhere.

8 Q Didn't you foresee that in 2013 and '14?

9 A (Horton) Didn't we foresee what? That we would
10 eventually move to AMIs?

11 Q Yes.

12 A (Horton) In 2013 and '14, and again, this was --
13 there were various perspectives raised in the
14 proceeding around the decision to move towards or
15 to make the investment in AMR when we did.

16 Q What proceeding are you talking about?

17 A (Horton) In this proceeding, in the rate case.
18 So, there were -- that perspective was one that
19 was brought up in the proceeding, as part of the
20 Settlement Agreement, --

21 Q Okay.

22 A (Horton) -- in recognition of the fact that we
23 had different perspectives around that decision,
24 you know, the Settlement Agreement is resolving

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 those disagreements, essentially, to the liking
2 of all parties, and establishing a process going
3 forward for us to be able to make an assessment
4 of the metering infrastructure that's in place,
5 and the metering infrastructure -- and the
6 eventual adoption of AMI in New Hampshire.
7 Acknowledging the specifics of the, you know,
8 existing metering infrastructure, as well as what
9 the capabilities are that exist for AMI today,
10 and everything else that's listed in that Section
11 4 of the Settlement Agreement.

12 Q Mr. Chagnon, did you have something that you
13 wanted to add?

14 CHAIRWOMAN MARTIN: You're on mute.

15 **BY THE WITNESS:**

16 A (Chagnon) Yes, Commissioner Bailey. I did want
17 to remind you that we do have a panel on metering
18 on the 29th. And, so, we will go into more
19 depth.

20 But I did want to just state that the
21 Parties believe that the rapid advancements in
22 the metering technologies as of late, we think
23 that the nine years is appropriate, so that it
24 doesn't discourage new technologies sooner more

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 than later. And, so, we do feel like the nine
2 years is appropriate.

3 BY CMSR. BAILEY:

4 Q Okay.

5 CHAIRWOMAN MARTIN: Commissioner
6 Bailey, you're on mute.

7 CMSR. BAILEY: Sorry.

8 BY CMSR. BAILEY:

9 Q Mr. Chagnon, if the AMR meters are depreciated
10 over nine years, then they will be fully
11 depreciated in 2020 -- 13, plus 10, is 23, so
12 2022 and 2023, is that right?

13 A (Chagnon) I would look for Mr. Horton to answer
14 that.

15 A (Horton) And if we could --

16 Q Go ahead.

17 A (Horton) If I could just confirm that, and
18 potentially could we address that at the metering
19 day. I just don't have that at my fingertips.

20 Q Okay. Sure. I think I may save the rest of my
21 metering questions for the next -- for that
22 panel.

23 But, at the end of this section, right
24 before Section 4, it says "Nothing in this

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 settlement precludes Staff or the OCA from
2 petitioning the Commission, after such
3 collaboration, to review the accounting for the
4 retirement of the metering infrastructure, except
5 any petition has to be filed by April 30th,
6 2021." Is that April 30th, 2021 date, which is
7 about six months away, a reasonable amount of
8 time to be able to know whether you need to file
9 a petition, Mr. Chagnon?

10 A (Chagnon) Yes. Staff believes that that is
11 plenty of time. Before the end of this year, the
12 Company and the OCA will be meeting to discuss
13 the issue, which is focused around the
14 retirements of the existing analog meters, as
15 well as the AMR meters, which have been retired
16 to date.

17 Q Mr. Horton, do you know, are there still existing
18 analog meters in your system in New Hampshire or
19 have they all been replaced by AMRs?

20 A (Horton) I mean, there may be some in certain
21 applications. But, generally speaking, we've
22 replaced the old analog meters with AMR. And,
23 certainly, that's our meter of choice, the
24 drive-by technology.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 But, as Mr. Chagnon mentioned, this
2 provision is related to the accounting retirement
3 of those meters. There were a number of
4 adjustments that we made, and spent a lot of time
5 working with Staff and the OCA to resolve. But
6 there were still questions that we need to help
7 clarify and work through. And, so, that's what
8 this is, this commitment is focused on. And I
9 agree with Rich, we will be able to meet that
10 date.

11 Q Okay. The accounting review, what if -- what if
12 that shows that there were a number of meters
13 that were not fully depreciated and not accounted
14 for in this revenue requirement, what happens
15 then?

16 A (Horton) So, what -- I think what happens when we
17 retire metering assets, when we replace metering
18 assets, for accounting purposes, is we retire
19 them off our books. And we have made corrections
20 to properly reflect those. There were, frankly,
21 some issues in our systems that were causing
22 discrepancies, between the number of the meters
23 that the systems were -- our accounting systems
24 were showing, and we had to correct for those,

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 which we have done. We have made two subsequent
2 entries to retire the assets. One was made in
3 the end of 2018, another through the course of
4 this proceeding was identified and adjusted, and
5 is reflected in the cost of service.

6 So, again, in my opinion, we've
7 corrected for those. But we did not -- we did
8 not resolve all open questions, and that's the
9 point of having this provision. That, if, coming
10 out of this further process and further
11 discussion, where we're seeking to continue to
12 clarify and get Staff and the OCA comfortable
13 that the cost of service is reflecting things
14 appropriately and accurately, that's what the
15 provision that you reference would allow for, if
16 there needed to be some other change. But we've
17 already -- we've already corrected for those
18 changes and have reconciled them. It's just
19 acknowledging that there's still more work to be
20 done to get everybody comfortable with that.

21 Q So, what your saying is there won't need to be
22 any future adjustments, because you are sure that
23 the accounting has been appropriately done. But
24 Staff and the OCA aren't as sure as you, and so

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 this is just an exercise to convince them after
2 the fact?

3 A (Horton) Rich, do you want to take that?

4 A (Chagnon) Yes. We didn't have time to clarify
5 and actually meet to discuss this issue. We did
6 have open questions, and we're looking just to
7 clarify it. Do we expect anything out of the
8 other end? Staff doesn't. However, if we do,
9 then we would make a recommendation, for the
10 correction.

11 Q Okay. So, if you do, and you make a
12 recommendation for a correction, how would that
13 work, after -- assuming we approve the Settlement
14 Agreement?

15 A (Chagnon) We have until the end of the due date
16 in April to actually petition to the Commission,
17 either through a recommendation from Staff or
18 OCA, or even a joint recommendation from
19 including the Company.

20 A (Horton) What I would say is, so, in reality, if
21 there were to be -- the concern here would be is
22 if the cost of service that's being approved is
23 inaccurate, incorrect. And this follow-on
24 activity identifies that. So, if the follow-on

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 activity identifies that, first of all, I'm with
2 Rich, you know, the Company would -- that we
3 would not object, we would agree unilaterally.
4 I don't anticipate there to be any change. If
5 there is a change, it would be immaterial, but it
6 would be appropriate to make, we would have to
7 figure out how to do that. We have the
8 reconciling -- the RRA would be one potential
9 avenue to make some adjustment. We could work
10 together to figure out if there is another way to
11 do it.

12 But, really, the impacts would be
13 small, based on how the retirement activity, if
14 there would need to be a correction, would be --
15 would be reflected. But it's, as Rich said, it's
16 really just a matter of, you know, we had some
17 corrections that we had to make, that led to some
18 more questions. And then, in the interest of
19 trying to resolve the Settlement Agreement,
20 everyone got comfortable that we had made
21 corrections, but there were still more questions.
22 We wanted to continue to work through it, to make
23 sure that everybody was comfortable at the end of
24 the day. I'm not anticipating that this is --

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 there is anything incorrect. But just allowing
2 for the potential for there to be some other
3 process, if this follow-on activity yields any
4 result.

5 CHAIRWOMAN MARTIN: Commissioner
6 Bailey?

7 CMSR. BAILEY: Okay. Yes?

8 CHAIRWOMAN MARTIN: Can I just ask a
9 clarifying question on this?

10 *[Commissioner Bailey indicating in the*
11 *affirmative.]*

12 BY CHAIRWOMAN MARTIN:

13 Q I want to make sure I'm understanding the
14 process. Mr. Chagnon, you've testified that you
15 haven't been able to meet to ask discuss those.
16 It looks like, in Section 3, initially, it's
17 going to be having those meetings to work
18 collaboratively. But then there's the mention of
19 "hiring an independent accounting firm". That is
20 not a definite. Am I right to my understanding
21 of that, and that an accounting firm may not be
22 hired?

23 A (Chagnon) That is correct. Only if the Parties
24 believe that one is required.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Q And any party or any of the identified parties
2 here could make that request?

3 A (Horton) Yes.

4 Q Okay. And the Company has agreed to do that in
5 that situation?

6 A (Horton) Yes. I'll just -- one more thing to
7 offer. This type of analysis that's described in
8 this section is something that I personally have
9 been involved with three times now for other
10 Eversource affiliates. And it's, you know, it's
11 a valuable exercise to undertake. You know,
12 we've seen these same sorts of adjustments in the
13 same account at NSTAR Electric, NSTAR Gas, and in
14 a recent study that was undertaken, very similar
15 scope as this, for assets that were required
16 related to Columbia Gas, in Massachusetts.

17 So, there's, you know, it's not to
18 suggest to try to like undermine, you know,
19 minimize this. But it is something that, you
20 know, is typical, it happens. That, basically,
21 the counts in the plant accounting system over
22 time become out of alignment for whatever reason
23 with the actual number of units that are
24 installed in the field. And then, it requires

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 these adjustments that are really immaterial to
2 both, certainly, to the financial statements that
3 we report, it's also immaterial to the cost of
4 service. But -- and it's important that all
5 parties, of course, are comfortable that we've
6 sort of turned over every stone. And, so, that's
7 why I see these potentially having some value in
8 this exercise. I'd have no concerns agreeing to
9 do this at the request of the Staff or the OCA,
10 as it said in the Agreement.

11 CHAIRWOMAN MARTIN: Okay. Thank you,
12 Commissioner Bailey, for letting me interject.

13 BY CMSR. BAILEY:

14 Q All right. Let's move on to the feasibility
15 study on the advanced metering. Can you describe
16 the work that you've done in Connecticut?

17 A (Horton) Yes. We have an active proceeding in
18 Connecticut, where the PURA, the regulator in
19 Connecticut, has initiated several dockets
20 related to grid modernization. One of those
21 documents was related specifically to advanced
22 metering infrastructure. And, so, over the
23 summer, we had engaged a third party consultant
24 to help evaluate AMI for CL&P. And we presented

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 a comprehensive business case for that investment
2 in Connecticut. And, so, this section
3 acknowledges that there's been quite a bit of
4 work done, granted, not with New Hampshire
5 specific information or for PSNH, but with
6 Eversource systems and personnel, and so
7 acknowledges that that work has been done. There
8 may be some efficiencies in process and scope to
9 leverage that analysis here. And, so, that's
10 what we're looking to try to do.

11 Q Can you describe the work that's been done? What
12 were they looking to find out?

13 A (Horton) Sure. It was a robust, comprehensive
14 business case analysis to understand if the
15 benefits of deploying AMI in Connecticut for CL&P
16 overall exceeded the costs. It is an expensive
17 proposition for customers to deploy AMI. It was
18 in 2013, it's still the case today. And, so,
19 there's a lot of effort that needs to go into
20 evaluating if the comprehensive set of benefits
21 exceed those costs, before the decision is made
22 to move forward. And, so, that's really the work
23 that they did, was to help us evaluate the full
24 stream of benefits, the full stream of life cycle

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 costs, identify to whom those costs and benefits
2 accrue, and then present a robust study of the
3 costs and benefits to determine, again, and to
4 defend whether or not it's cost beneficial to
5 move forward with that investment.

6 Q Mr. Chagnon, did you have something to add to
7 that? Or, the blue square lit up, and maybe
8 because you're not on mute, I'm not sure.

9 A (Chagnon) No. I don't have anything to add.
10 Thank you.

11 Q Okay. Thanks. So, what did they determine for
12 Connecticut -- well, did they decide that the
13 costs -- the benefits outweigh the costs in
14 Connecticut?

15 A (Horton) The business case assessment, again,
16 based on the specifics of Connecticut, it was a
17 positive business case. I've forgotten the ratio
18 offhand. It was a slightly positive business
19 case that was presented to our regulators. The
20 process is still open in Connecticut. And, so,
21 the ultimate resolution is that we don't know,
22 you know, the timing or the next step or what
23 that will be, in terms of deploying AMI.

24 Q Who was the consultant that you used in

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Connecticut?

2 A (Horton) It's a company called "West Monroe
3 Partners".

4 Q And would you anticipate using the same
5 consultant for this feasibility study or how does
6 that work?

7 A (Horton) That will be in consultation with the
8 OCA and with Staff. We have agreed to, first,
9 evaluate them. Again, because they have done a
10 lot of work, that I'm expecting we ought to be
11 able to leverage. But we have not yet had those
12 discussions with the OCA and with Staff, in order
13 to, you know, make sure that we're landing on the
14 same page there.

15 Q And is it possible that some costs that were
16 included in Connecticut would not be included in
17 New Hampshire?

18 A (Horton) Do you mean, is it possible that the
19 technology we deploy could be different in New
20 Hampshire than in Connecticut?

21 Q No. Connecticut has very specific laws and
22 mandates requiring decarbonization. And they may
23 have some specific laws regarding the health
24 benefits of decarbonization that maybe New

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Hampshire doesn't have, I don't know, off the top
2 of my head.

3 But I can imagine that, when you're
4 looking at costs and benefits, some of the
5 benefits in Connecticut, if Connecticut has laws
6 that require decarbonization, may not apply here.
7 Is that possible?

8 A (Horton) Oh, yes. I completely agree. I think,
9 in many respects, the business case will be
10 different. And that was the intent, was to try
11 to tailor it to the specifics of New Hampshire.
12 There's the factor that you mentioned, which are
13 not identical at this point in New Hampshire.
14 There's also a vastly different terrain,
15 geography, in New Hampshire than what we would
16 consider in Connecticut. That would need to be
17 incorporated into the business case for the
18 communication infrastructure. So, it's not going
19 to be a copy-and-paste by any extent.

20 But I do think there's, you know, a
21 pool of work that's been undertaken that would
22 help to create some efficiencies. But it's going
23 to be, in order for it to have value, it will be
24 tailored and unique to New Hampshire, that's our

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 goal.

2 Q Okay. Thanks. In Paragraph (b), this is, you
3 know, a list of scenarios that you'll evaluate,
4 you're saying that "The assessment shall include
5 [at least] an assumption that AMR meters hadn't
6 been deployed." But why would -- why would you
7 assume that, since they have been?

8 A (Horton) I believe this one was an acknowledgment
9 of the fact that questions were raised about the
10 decision to invest in AMR. And, so, as part of
11 the assessment, we, as a collective settling
12 group, had agreed to understand how the fact that
13 we deployed AMR would affect the assessment, and
14 what that assessment -- if and how that
15 assessment would be different had we not made
16 that investment decision.

17 Q So, the analysis will do it both ways, assume
18 that AMR was never deployed, and see what the
19 cost is, and then assume that AMR was deployed,
20 as it has been, and see what the cost is of going
21 to AMI?

22 A (Horton) That's my expectation. Costs and
23 benefits, and just other considerations. And we
24 tried to identify some scenarios that it's not

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 exclusive to what we have listed here, I am sure,
2 but we have tried to identify a number of various
3 scenarios and sensitivities that the assessment
4 will incorporate.

5 Q Okay. Thanks. Is there a plan by the Company to
6 move to AMI, or advanced metering functionality,
7 if the study concludes that it would be cost
8 beneficial to do so?

9 A (Horton) Again, like I said, I think, where we
10 are on AMI, is we do see benefits of AMI for our
11 customers. And I think, eventually, as I said, I
12 know, eventually, the meters that we have in
13 place will need to be replaced. And it's likely
14 that at that time AMI will be the technology of
15 choice.

16 So, I do believe, in New Hampshire,
17 it's not a matter of if, but when. But it is
18 still be very expensive. It's likely to still be
19 very expensive when we get to that point. And,
20 so, I'm not convinced it's anytime, you know, in
21 the very short term. But I think that's the idea
22 of having this assessment, that is the idea of
23 having this assessment, is to try to understand
24 the specifics of what that will look like here in

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 New Hampshire, what will it take, what benefits
2 have already been realized related to the AMR
3 metering infrastructures that we have, that, you
4 know, would not then be incremental when we go to
5 AMI. But what are all the other benefits that we
6 can enable with AMI, at what cost, over what
7 timeframe.

8 I think the idea is to try to evaluate,
9 you know, acknowledging that AMI will be an
10 eventuality. What are all the considerations
11 that go into that? And what can we do in the
12 meantime, to try to unlock some of the
13 incremental benefits that AMR, on its own doesn't
14 facilitate?

15 Q Can you highlight some of those incremental
16 benefits that AMR does not facilitate?

17 A (Horton) There's two-way communication and
18 control over meters. Certain meters enable, with
19 customer interaction, enable more integration
20 with in-home devices to some extent, which is
21 another consideration in New Hampshire that would
22 need to be looked at specifically. It's more
23 real-time information for the Company about the
24 status, especially with distributed generation,

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 about the status of the distributed generation
2 units on the system, that we don't get directly
3 from the AMR meters today.

4 So, there are a number of benefits that
5 are enabled both to the Company, to the
6 customers. But all of those, again, come at a
7 cost, and they need to be considered in the
8 overall business case.

9 Q Is one of the benefits possibly more
10 sophisticated pricing?

11 A (Horton) And real-time pricing or, excuse me,
12 time-of-use pricing. Certainly, to the extent
13 that a billing system is part of the AMI
14 deployment, which often it is, because there's so
15 much more data that's coming in, you know,
16 there's some much more data that's coming in from
17 the metering infrastructure, you're able to do
18 more complicated rate designs. And, so, those
19 are all potential benefits that can be enabled
20 for customers, again, at a cost. Because
21 those -- that data needs to be managed in a meter
22 data management system, the potential for a
23 change to the billing system and customer
24 information system, those are all considerations

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 that go into a deployment to enable those costs.
2 But I think to your earlier -- or, to enable
3 those benefits. But, to your earlier question,
4 you know, there may be benefits that make sense
5 for us to pursue, and the costs are reasonable in
6 Connecticut, that aren't in New Hampshire, or
7 vice versa.

8 Q How long do you think it will take to complete
9 the assessment and when do you expect it to
10 begin?

11 A (Horton) I expect it to begin, essentially, as
12 soon as the Settlement Agreement is approved.
13 And I think, for the Connecticut assessment, I
14 think it was a six to eight months effort. And,
15 so, I would expect we'd be looking at that
16 similar timeframe. We started work internally,
17 anticipating the Settlement is approved, to try
18 to get ready to have the discussion with Staff
19 and OCA. But, in the efficiency of everyone's
20 time, we're essentially waiting to get the
21 decision approved on the Settlement Agreement,
22 and then we'll be starting that process.

23 Q And would the Commission be able to use your
24 assessment in other dockets? I can imagine some

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 of them may be useful. I mean, it may be useful
2 in some other dockets that we have.

3 A (Horton) You mean other dockets related to
4 Eversource?

5 Q Well, I mean other dockets that Eversource is
6 involved in, yes.

7 A (Horton) Yes. I mean, you know, we're looking to
8 make this a comprehensive assessment of the
9 considerations that will go into deploying AMI,
10 as well as looking at what other things can be
11 done in the interim while we don't have AMI. So,
12 certainly, if there's information that's useful
13 in that assessment that we can leverage
14 elsewhere, I don't know why we wouldn't.

15 Q And is this something that Eversource has agreed
16 to pay for?

17 A (Horton) Yes.

18 CMSR. BAILEY: Okay. I think that's
19 the questions that I have for this section, Madam
20 Chair, at the moment.

21 CHAIRWOMAN MARTIN: Okay. Thank you.

22 I think that nearly every question I
23 had has been asked, so you'll be happy to hear.
24 Let me just double check.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 BY CHAIRWOMAN MARTIN:

2 Q Oh. You mentioned the bill impacts in Appendix
3 10. Could you just walk through those,
4 Mr. Horton?

5 A (Horton) We do have a Rate Design panel later in
6 the week. I'm, of course, happy to walk through
7 what's in Appendix 10. But, just in the interest
8 of, if there are follow-on questions to how those
9 are developed or what goes into them, I think it
10 would be probably more efficient to wait until
11 Mr. Davis is on later in the week.

12 Q Okay. If you have a witness who will have more
13 information, that's a better time to do it. So,
14 we'll wait on that.

15 A (Horton) Thank you.

16 CHAIRWOMAN MARTIN: And I think that's
17 all the questions that I have left.

18 So, let's go back to Mr. Fossum and Ms.
19 Amidon, to see if you have any redirect?

20 CMSR. BAILEY: Madam Chair, that wasn't
21 the end of my questions for the Settlement
22 Agreement. It was just the end of my questions
23 for that section.

24 CHAIRWOMAN MARTIN: Oh. I thought you

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 were done.

2 CMSR. BAILEY: No. And, if you got
3 tired of me, I'd be happy to take a break. But I
4 have more questions about the Settlement.

5 CHAIRWOMAN MARTIN: Okay. Go ahead
6 then.

7 CMSR. BAILEY: All right. Thanks.

8 BY CMSR. BAILEY:

9 Q Okay. Moving on to "Storm Cost Reserve", --

10 CMSR. BAILEY: Oh, sorry. My dog is
11 going to be a pain right now. Hang on.

12 Can we take a really quick, short
13 five-minute break, because we don't want to hear
14 howling in the background here?

15 CHAIRWOMAN MARTIN: Sure. Let's go off
16 the record and take a five-minute recess.

17 *(Recess taken at 11:40 a.m., and the*
18 *hearing resumed at 11:48 a.m.)*

19 CHAIRWOMAN MARTIN: Okay. Let's go
20 back on the record.

21 CMSR. BAILEY: Thank you.

22 BY CMSR. BAILEY:

23 Q Okay. Let's move on to "Major Storm Cost
24 Recovery". Can you, Mr. Chagnon, let's start

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 with you, can you just go through how storm costs
2 get recovered? And, you know, we collect \$12
3 million in rates every year for storm cost
4 recovery. And then, we have this provision that
5 helps us -- or, helps the Company recoup expenses
6 for storms that cost a lot more. Can you just
7 tell me how that works?

8 A (Chagnon) Yes. As you mention, there is 12
9 million in base rates for major storm costs.
10 And, as the Company incurs costs that are for
11 restoration of a "major" storm, declared "major
12 storm", those are submitted to the PUC for
13 reconciliation annually. And included in those
14 costs are also pre-staging costs, where it's been
15 determined, through their weather forecasting,
16 whether there's a high probability of a major
17 storm that will affect a large amount of
18 customers. The Company has the ability to
19 pre-stage for those storms. And, if, for some
20 reason, those storms don't occur or become a
21 major storm, then the Company still is able to
22 recover the costs for pre-staging. And that is
23 also included in the storm cost recovery, of that
24 12 million average per year.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Q So, does the Company have to get approval to use
2 the money that -- the \$12 million that's
3 collected? Or, as long as the costs are under
4 \$12 million, does that money just get used to
5 cover things like pre-staging and expenses for
6 major storms?

7 A (Chagnon) At the end of the year is when the
8 Company does transfer from one account to
9 another. There's a storm cost account, and then
10 there is the funding for that account. That will
11 typically happen at the end of the year, I
12 believe. And, however, they do have to report to
13 the PUC annually what the storms and the costs
14 consist of. Each year, those costs are audited
15 by Audit Staff at the PUC.

16 Q Okay. Mr. Horton, I think, and I could be wrong
17 about this, but it seems to me like it takes a
18 long time for companies to report the storm
19 costs. Like, it doesn't always happen the same
20 year that the storm happens, or even the year
21 after. Is there any time limitation on when the
22 Company has to report the costs for a storm that
23 happened in, I don't know, October of 2020?

24 A (Horton) I believe, but I can confirm, that we

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 are required, and this is, I think, the result of
2 a fairly recent order by the Commission, to
3 report on our storm costs for the prior calendar
4 year by May 1st of each year. But it does take a
5 number of months for, especially in larger
6 events, for all of the invoices to come in. And
7 that's potentially even aggressive. I've seen it
8 take, you know, eight months or longer, a year or
9 longer, in some of the larger events. For
10 whatever reason, it takes a very long time for
11 all the costs to come in.

12 So, I believe we file by May 1st each
13 year the storm costs for the qualifying storms of
14 the prior calendar year. But then, in the event
15 that there are costs that occurred, say, in
16 October, that we won't have fully compiled all of
17 the costs or received all the invoices, I believe
18 there's a process that we essentially hold those
19 at bay until we have all of the invoices, and
20 then would include them in the next annual
21 filing.

22 Q So, at the latest, it would be in the next annual
23 filing?

24 A (Horton) That's right.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Q Okay. How many times do you have a storm -- do
2 you have storm costs that are greater than \$12
3 million in a year?

4 A (Horton) I mean, in recent years, it's fairly
5 common. There's a number -- there's an
6 increasing number of these qualifying events, for
7 a number of reasons. And, so, the ratemaking
8 that follows is generally like this. We have
9 similar contracts in place in Massachusetts and
10 Connecticut, whereby it's really not possible to
11 build a representative level in base rates for
12 these types of storms. And, so, this treatment
13 is typical. Where we have, you know, a
14 representative level for these qualifying events
15 in base rates that acts as a reserve account,
16 meaning, if, in any year, we have -- we were to
17 have less than \$12 million, we wouldn't keep that
18 money. We would keep it in the account to fund
19 future storm events.

20 And, conversely, if the \$12 million is
21 insufficient, if we have greater than \$12 million
22 in base rates -- or, excuse me, in actual storms,
23 then we would defer those and use, you know,
24 ongoing \$12 million, to hopefully, you know, work

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 those costs down.

2 But then, when we get to the next rate
3 case, if there's a remaining balance not
4 recovered, we would incorporate that into
5 recovery at that point in time. That's exactly
6 what happened in the temporary rate in this
7 proceeding, where we had a balance remaining of
8 about almost \$70 million for storms that had been
9 qualified, had been reviewed and audited, at
10 least mostly reviewed and audited, but just the
11 storm fund was not sufficient to recover them.

12 So, it's a balance between trying to
13 get timely recovery, and, you know, not
14 over-recovering the costs for these storm events
15 that are increasing in frequency and size.

16 Q So, the \$70 million that was included in
17 temporary rates, over what period of time does
18 that get recovered?

19 A (Horton) That was recovered over -- that will be
20 recovered over five years.

21 Q Okay. Okay. Thanks. So, then, there's a
22 provision here that says "for storms that cost
23 more than 25 million". And you can amortize
24 those costs right away or, you know, after your

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 May 1st filing gets approved.

2 How many times, in the last three to
3 five years, have you had storms that were more
4 than 25 million? Do you know that?

5 A (Horton) I certainly could get it. It was only
6 two or three, as I recall. And, really, what
7 this was was we had originally proposed a
8 mechanism that was more complicated, and it
9 resulted in more frequent rate changes. And, as
10 a result of this Agreement, we're really keeping
11 with what is in place today, except for
12 accommodating for these certain, you know,
13 hopefully, one-off large events, that there
14 really wouldn't be any way for that \$12 million
15 to cover them.

16 So, I think there were -- I'm just
17 seeing, I think there were two times between 2014
18 and today. There was one storm, Thanksgiving in
19 2014, that was 26 million, and another in October
20 of 2019 -- or, excuse me, October 2017, that was
21 32 million. So, it's not a common occurrence.

22 This is really just acknowledging that,
23 if we were to have a singular event that was of a
24 magnitude that's significant, you know, again,

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 the \$12 million just won't be sufficient to
2 recover it. So, it's allowing for an interim
3 change before the next -- it's allowing for that
4 to happen after a process at the Commission.

5 Q And is that different than any other accumulation
6 of storm costs that go over 25 million in total?

7 A (Horton) We did not make a specific provision for
8 the event where the storm fund itself exceeded a
9 threshold. That's not part of the Settlement
10 Agreement. It was, again, it was really intended
11 to cover the event where a single -- a singular
12 event could cause the whole thing to not work
13 right.

14 Q Okay. Can we skip to 6.2(d)? We're moving into
15 "Vegetation Management" now. And can you tell me
16 what the Company's "recoupment adjustment" means?

17 A (Horton) I'm sorry, 6.2(d)?

18 Q Yes, I think it is. It's on Page -- Bates Page
19 013. It's Paragraph (d), right above
20 Section 6.3, the last sentence.

21 A (Horton) The "recoupment adjustment" refers to
22 the fact that we have implemented temporary rates
23 as of July 1st, 2019.

24 Q Okay.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 A (Horton) And they will have a -- we'll be
2 implementing permanent rates upon approval of
3 this Settlement Agreement for January 1, 2021.
4 And, so, this is identifying that, because the
5 vegetation management portion of the -- both the
6 permanent rate adjustment, as well as the
7 temporary rate adjustment, we had agreed to
8 certain parameters around that recovery. Such
9 that, if we spent less than the agreed to amount,
10 customers would get the credit. And there are
11 just different parameters within each. So,
12 suffice it to say, the vegetation management
13 portion of recoupment requires a separate
14 treatment to account for that, account for that
15 commitment and agreement made by the Parties.

16 Q And going forward, if there is an over-recovery
17 for vegetation management, does that get returned
18 in the RRAM?

19 A (Horton) Yes. Except that, in Section 9(b), as
20 it relates to the RRAM, we did allow for the
21 provision, if we could justify, if we were
22 underspent in a year, but intended to spend it in
23 the following year, that we would be able to
24 propose to carry that amount forward, as opposed

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 to crediting it and then just recovering it, we
2 left that as an open option.

3 But, if it's not to be spent, and it's
4 an over-recovery, yes, it would flow back through
5 the RRAM.

6 Q And would you be allowed to do that without
7 Commission approval or is that something the
8 Commission would review and authorize the
9 carryforward?

10 A (Dixon) In Section 6.2(c), I think it refers to
11 "upon Commission approval". So, we would request
12 it and get approval.

13 Q Okay. Thanks. So, the overall vegetation
14 management budget, with a 10 percent adder, is
15 that fixed until the next rate case?

16 A (Horton) Yes. Except there is -- it is. Except
17 that there was also, as part of the engineering
18 assessment, we will be evaluating the
19 cost-effectiveness of the enhanced tree trimming
20 and the hazard tree removal programs. And I
21 believe that -- one moment.

22 I'm sorry, I'm not putting my fingers
23 on it. I believe -- I thought there was a clause
24 in the Settlement Agreement that talked about a

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 potential adjustment based on the result of that
2 review. But I don't want to muddy the record,
3 so --

4 MR. FOSSUM: Just if I may, I believe
5 that's covered in Section 6.3.

6 WITNESS HORTON: Oh. Thank you. Thank
7 you, yes. That's what I was looking for, right
8 in front of me.

9 BY CMSR. BAILEY:

10 Q And that was going to be my next -- my next
11 question is, you know, how do you know when
12 you've spent enough on vegetation management, and
13 further spending is no longer cost-effective? Do
14 you have -- is there going to be a panel that
15 talks to us about metrics?

16 A (Horton) Well, yes. Later in the week, we have a
17 panel on the Engineering Assessment and the Base
18 Resiliency Investments.

19 Q Is the engineering assessment on vegetation
20 management?

21 A (Horton) The engineering assessment will include
22 vegetation management, ETT, and hazard tree
23 removals are a part of that engineering
24 assessment.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Q Okay. I'll wait for that then. All right.
2 Moving on to "Cost of Service". Can you tell me
3 what the difference between "whole life
4 depreciation" is and what we've used
5 historically?

6 A (Horton) Oh, boy. Well, it's the Commission --
7 it has historically been the practice in New
8 Hampshire to utilize the whole life method for
9 depreciation. You know, we do hire a
10 depreciation expert consultant, who evaluates
11 what's the proper level of depreciation,
12 acknowledging the useful life of the assets. And
13 our witness's expertise, an example -- or, excuse
14 me, expertise, he doesn't utilize the whole life
15 method, he utilizes the remaining life method.

16 As part of the Settlement Agreement, we
17 have agreed to utilize the whole life method in
18 this proceeding, which, again, is consistent with
19 the practice that's typically done, utilized here
20 in New Hampshire.

21 Q Mr. Chagnon, can you add to anything about why
22 whole life is better than remaining life?

23 A (Chagnon) Whole life is, as Mr. Horton said,
24 consistent with all filings at the New Hampshire

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 PUC. And, so, it was Staff's concern that we
2 have consistency amongst all of our utilities,
3 including gas, instead of moving to a remaining
4 life.

5 Q Okay. At the end of Paragraph 7.1, you say
6 "Future environmental costs shall be recovered on
7 a current basis through the Stranded Cost
8 Recovery Charge." Do you -- does anybody have
9 anything in mind about future environmental costs
10 that will have to be recovered?

11 A (Horton) I think, though I'm not aware of plans
12 related to the remediation of costs associated
13 with the manufactured gas plant, but I do
14 understand that there are -- there have been
15 costs that have been continued to be incurred.
16 So, this is just acknowledging that, to the
17 extent that those costs are incurred, that the
18 mechanism to recover them would be through the
19 SCRC, as opposed to base rates.

20 Q Mr. Chagnon, is Staff aware of any future
21 environmental costs?

22 A (Chagnon) No, we are not. However, we needed to
23 have a provision for any that do come up.

24 Q Okay. I think we've recently approved a

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 significant amount of debt. Does the Company
2 anticipate borrowing additional money, and will
3 that change the capital structure?

4 A (Horton) We have incorporated that \$150 million
5 issuance, based on the financing plan that was
6 recently approved, into the cost of service in
7 this proceeding. So, to the extent there is
8 additional debt that's issued, and the capital
9 structure changes into the future, that's not
10 reflected here. But the issuance that was
11 approved by the Commission recently, and at
12 favorable rates, is reflected in the cost of
13 service that's to be approved here.

14 Q Given that that is so cheap now, and equity isn't
15 as -- or, equity is more costly, obviously, would
16 it be better for ratepayers if the Company did
17 issue more debt?

18 A (Horton) I think we have to balance the -- and,
19 again, we have our Cost of Capital panelists will
20 be on later today who can speak to this at
21 length.

22 My opinion and my perspective is that
23 it's a balance that you strike between riskiness
24 of the debt that's issued and the cost associated

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 with that. Managing to an appropriate capital
2 structure is an important element of how we, you
3 know, capitalize our investments. And, so, the
4 Settling Parties have agreed that the capital
5 structure for ratemaking is appropriate, as is
6 the cost of debt. And, again, we have reflected
7 that issuance at favorable rates into the cost of
8 service, which is to the benefit of customers.

9 Q Okay. I'm skipping all the way down to "Step
10 Adjustments". What will the annual filings for
11 step adjustments look like?

12 A (Horton) We filed our first step adjustment
13 filing recently. It will include, and it did
14 include, testimony, as well as exhibits. That
15 gets back to that discussion earlier we were
16 having around the template and the format that
17 template will take. So, it will provide a
18 listing of all the projects and their associated
19 costs, as well as the variances and reasons for
20 variances at a high level. And I think we'll
21 continue to work with Staff and the OCA on
22 subsequent step adjustment filings, to ensure
23 that we're getting that filing right, and
24 providing information at an appropriate level to

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 facilitate the review.

2 Q And is there an expectation that you
3 automatically will get the revenue that you've
4 agreed to as a cap? Or, do you have to show that
5 you've spent the money, and we have to make a
6 prudence determination on it, and that --

7 A (Horton) It's the latter. We have agreed to caps
8 on the step adjustments. And we know that
9 there's a process that we have to go through, and
10 that process will determine what the ultimate
11 step adjustment is.

12 But the only amount that would go into
13 rates as a starting point would be for
14 investments that have been made and plant placed
15 into service. And that's a clear provision of
16 the Settlement Agreement. Anything less than the
17 amounts placed in service is not eligible for
18 recovery, naturally.

19 Q When did you have your last step adjustment?
20 What year was it? Does anybody remember?

21 A (Horton) I believe there were step adjustments as
22 part of the 2009 rate case proceeding. But I
23 don't recall the specifics of when that step
24 adjustment would have gone into place, if there

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 were two or three, or a different number.

2 Q So, maybe 2012 at the latest?

3 A (Horton) Probably.

4 Q How did you go from 2012 to 2020 without a rate
5 case for capital expense -- capital investment?

6 A (Horton) Yes. I think a significant factor in
7 that, which is, again, to the benefit of
8 customers, was the merger that took place in 2012
9 between NU and NSTAR, which enabled for there to
10 be cost synergies and savings as a result of that
11 merger. There's also been, you know, over time,
12 we're constantly challenging ourselves to run the
13 business more efficiently and effectively,
14 while -- and continuously improving service to
15 our customers.

16 And, so, it's part of something that we
17 take great pride in, is managing the financial
18 aspects of our business, as well as the
19 operational considerations, providing safe,
20 reliable, resilient service to our customers, and
21 managing within the, you know, the financial
22 constraints that we have.

23 So, over that timeframe, there were a
24 number of considerations and changes made. And

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 there was a merger. There was divestiture.
2 There was historically sales growth at various
3 and different levels than we see today, with
4 advancement of energy efficiency and other
5 customer-sited initiatives and changes. So, I
6 think there are a number of factors that go into
7 it. Those are a few.

8 Q But, ultimately, the Company must have decided
9 then that the revenue that it was recovering
10 every year was adequate to pay the depreciation
11 expense on the investments that were made for
12 those years?

13 A (Horton) Well, there are also a number of
14 considerations and commitments made related to
15 the timing of a rate case filing. So, you know,
16 it isn't -- we were -- I know that divestiture
17 was one consideration. That there was an
18 acknowledgment to postpone the timing and the
19 filing of our rate case, in order to allow us to
20 complete the divestiture, so that the test year
21 could incorporate, you know, costs in a more
22 clean way, that wouldn't be influenced by
23 divestiture, so, there -- by the generating
24 assets.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 And, so, there are a number of
2 considerations that go into the timing of when we
3 file a rate case. It isn't just that, you know,
4 it isn't just based on the earnings
5 considerations. There's a number of factors that
6 go into it.

7 Q Mr. Chagnon, did you want to say something?

8 A (Chagnon) Just to clarify, the 2015 Settlement
9 Agreement, through the divestiture, did allow the
10 Company to full recovery for reliability
11 enhancement. And, so, since 2015, the Company
12 has been allowed to recover dollars for that
13 program through what we call "REP". And, so,
14 that helped as well.

15 Q Right. Thank you. Okay. So, in this Settlement
16 Agreement, you have step increases for
17 investments in '19 and step increase for
18 investments in 2020, and another opportunity for
19 investments next year, which would go into effect
20 in August of 2022, is that right?

21 A (Horton) Yes.

22 Q And the agreement is that you can't have another
23 test year before 2022? I think you're on mute.

24 A (Horton) I'm sorry. Yes.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 Q So, is that reasonable? There's basically no
2 stay-out then, is that right?

3 A (Horton) There's a stay-out. There's a stay-out
4 until at least 2023, based upon a 2022 test year.
5 And also acknowledging that the step adjustments
6 are capped. So, to the extent there are
7 investments made in core capital that are above
8 the amount of the caps that are authorized here,
9 those are not eligible for recovery until our
10 next rate case.

11 There is also operating and maintenance
12 pressures that are not reflected in the step
13 adjustment, that are post year, and we'll carry
14 into the future, that we'll be motivated to
15 continue to try to find ways to improve and
16 maintain our cost-effectiveness and efficiencies,
17 in order to keep our costs down, and, ultimately,
18 to keep rates lower for customers.

19 I'll just note that, given the timing
20 and the delays that were necessitated as a result
21 of the pandemic, just to point out that this
22 filing was made based on a 2018 test year, and
23 originally filed in 2019. And, so, although
24 we're looking ahead to 2022 as being a test year,

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 and here we are in 2020, just want to also
2 acknowledge that the costs that we're setting now
3 are based on a 2018 test year. So, already a
4 nearly two-year stay-out by the time they will go
5 into effect. So, it's essentially four years of
6 a gap between those test year periods, which is a
7 significant amount of time.

8 Q The gap being in expense costs mostly, because,
9 for the most part, you're going to recover your
10 capital expenditures, right?

11 A (Horton) There's a gap in O&M. But, also, the
12 way that the step adjustments are intended to
13 work, it is not a dollar-for-dollar recovery.
14 You know, it is recognizing that there are
15 additional invest- ments that, once placed in
16 service and once reviewed through the audit
17 process and approved by the Commission, you know,
18 as being prudent and in service to customers,
19 that those find their way into rates. But it's
20 on a lag. It's not that it's -- you know, it's
21 not full reconciling recovery. There is a delay
22 from when we make the investments in a given year
23 until we get through that process and they get
24 reflected in rates.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 So, I think, you know, on balance, the
2 steps have been used in New Hampshire in the past
3 as a way to provide recognition of those
4 incremental capital costs, but by no means
5 providing full recovery. And I think, you know,
6 in all aspects of this Settlement Agreement, all
7 the Parties, we tried to balance the interests of
8 customers and paying for the service their
9 receiving, while giving the Company an ability,
10 but not a guarantee, to recover its costs.

11 Q Okay. I think I'm going to skip over the section
12 on the new programs for the arrearage management
13 program, and I'll save that, because I know that
14 there is a panel specifically included to address
15 that.

16 If we can jump ahead to the "Tariffs"
17 section, it's Paragraph 14.2, no tariff --
18 apparently, you, in your Petition, wanted a
19 tariff provision that would allow default energy
20 customers to block incoming enrollments from
21 competitive suppliers, is that right?

22 Actually, can you just explain
23 Paragraph 14.2 to me please?

24 A (Horton) I can try. But we do, again, have a

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1 Rate Design panel later in the week, that Mr.
2 Davis will be on, and he can provide some more
3 color. But I can try to take it and see if
4 that's sufficient.

5 You know, as it says, we had originally
6 proposed as part of our tariff that customers
7 taking service under the default Energy Service
8 could be blocked from incoming enrollments from
9 competitive suppliers. And, as part of the
10 process of reaching a settlement, had agreed to
11 eliminate that explicit and specific provision of
12 our tariff.

13 Q So, the provision would have allowed customers to
14 tell you to block their account from being
15 transferred to a competitive supplier? Is that
16 what that was about?

17 I can wait till the next panel, if you
18 want me to?

19 A (Horton) I think that would be -- I would
20 appreciate that. Thank you.

21 Q Okay. All right. Thanks. Okay. Paragraph 14.3
22 says "The Company shall propose a symmetrical
23 decoupling mechanism in its next rate case", but
24 it "doesn't prejudice any party's right to

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1 oppose, or seek to modify, such proposal in the
2 next rate case."

3 My question is, can the Company object
4 to decoupling in the next rate case or does it
5 have to make a proposal on decoupling that it is
6 willing to implement?

7 A (Horton) We will make a proposal on decoupling
8 that we're willing to implement.

9 Q Okay. And you're not going to oppose it?

10 A (Horton) No. I never even thought of that.

11 Q Okay.

12 A (Horton) We'll make a proposal that we would be
13 prepared to live with.

14 Q All right. Thank you. On Section 15, and you
15 touched a little bit about this in your opening
16 remarks, the excess deferred income tax credit.
17 And you said that it would offset, basically, the
18 revenue increase. Can you explain a little bit
19 more about how that works?

20 A (Horton) Yes. And, to be clear, it offsets the
21 revenue increase associated with recoupment. So,
22 excess deferred income taxes is enabled by the
23 reduction in the federal income tax rate from the
24 2018 Tax Cuts & Jobs Act. So that federal income

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1 tax rate reduction resulted in two changes to
2 the -- both to customers' benefit.

3 One is it reduced the level of income
4 tax expense in our base rates, which is an
5 annually recurring cost that we incur and
6 recover. That's different from the excess
7 deferred income tax benefit that's also to
8 customers' benefit. That relates to accumulated
9 deferred income taxes, which is a source of
10 benefit to utilities, where we have our tax
11 expenses, with the tax expense differences versus
12 our book accounting expenses. Those arise from
13 changes in how we account for expenses for tax
14 reporting purposes versus for book accounting
15 purposes. Generally, for utilities, the largest
16 source of that is a benefit, because we have --
17 we accelerate depreciation for tax purposes at a
18 greater level than we do for book purposes. So,
19 that creates a timing difference, which is to the
20 benefit of the utility, and that benefit is
21 passed through to customers through reducing rate
22 base.

23 When the income tax rate was reduced,
24 that ADIT was overstated. Because that meant

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1 that, as the assets turned around for book and
2 tax purposes, we'd be paying taxes at a lower
3 rate than the original regulatory -- the original
4 liability that had been created. So, once that
5 happened, and the tax rate was lowered, a portion
6 of the ADIT balance moved over into a separate
7 regulatory liability, called "excess deferred
8 income taxes", or "EDIT".

9 And it was still customer money, it
10 just would be paid back over time. And there's
11 rules around how quickly that can be given back
12 to customers. For the assets that are related to
13 plant, we need to return that to customers over a
14 specified timeframe for IRS rules.

15 But then there's a separate
16 classification called "unprotected EDIT" that we
17 have a little bit more flexibility, at least from
18 an IRS perspective. It turns around faster than
19 the book-related or protected ADIT would have
20 turned around. And there are not specific IRS
21 provisions to restrict how quickly we can provide
22 that to customers.

23 So all that is to say, simply put, the
24 EDIT is customer money that they're going to get

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1 over time. And, as a result of the Settlement
2 Agreement, we agreed that, particularly in light
3 of the pandemic, that one thing we could do to
4 benefit customers would be to accelerate that
5 credit for the EDIT piece, and give it back
6 faster than we expect it to basically to turn
7 around to our benefit. So, we'll give customers
8 the benefit sooner than we otherwise would have,
9 and that allows us to mitigate the bill increase
10 today. So, customers would get the money. It's
11 just we would give it back to them over time.
12 So, we're going to take the money that we would
13 have given them over time, we're going to
14 accelerate the credit, and basically align that
15 credit with the recovery of recoupment. So that,
16 from a customer perspective, there's very little
17 bill impact of recoupment.

18 CHAIRWOMAN MARTIN: Commissioner
19 Bailey?

20 CMSR. BAILEY: Yes.

21 CHAIRWOMAN MARTIN: I don't know if you
22 have lost Attorney Amidon on your screen?

23 CMSR. BAILEY: I did. I did lose her,
24 yes.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 CHAIRWOMAN MARTIN: Ms. Amidon, are you
2 there?

3 MS. AMIDON: Yes. What happened is, I
4 needed to stand up, because my back was bothering
5 me.

6 CHAIRWOMAN MARTIN: Okay. No worries.
7 I just wanted to make sure you could still hear
8 and see.

9 MS. AMIDON: Oh, yes. I have my
10 headset on. I just -- it was just my -- you
11 know, it's one of the things that comes with
12 getting older.

13 CHAIRWOMAN MARTIN: Okay. All right.
14 Go ahead.

15 CMSR. BAILEY: We must be almost at
16 lunch. I think I'm almost done.

17 BY CMSR. BAILEY:

18 Q Okay. So, how much is the EDIT credit amount
19 right now?

20 Is it \$13.3 million, in Paragraph
21 15.3(a)?

22 A (Dixon) Yes. That's the first piece of the EDIT
23 credit. So, you essentially have the recoupment
24 amount of about \$18 million, and that \$13 million

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 is essentially dropping the recoupment down to
2 about 5 million. And then, really what you have
3 is some of those other accelerated amounts that
4 we're using to even take that \$5 million net
5 recoupment and bringing that all the way down to
6 roughly \$580,000. So, the EDIT amounts are
7 really, essentially, wiping out the total
8 recoupment.

9 Q Okay. Thank you.

10 A (Dixon) But the total pot of the EDIT that we're
11 talking about is roughly \$23 million.

12 Q So, then, is there money left over in that
13 account that still has to be returned to
14 customers even after the recoupment?

15 A (Dixon) Yes. There's also a credit in base
16 distribution rates of roughly \$5 million that's
17 going back every single year.

18 A (Horton) And that piece is related to the -- and
19 again, there's the protected and the unprotected
20 amount. So, the protected amount means it's --
21 we are restricted by how quickly that can be
22 returned to customers. And it's intended to be
23 reflected as a credit to customers as it turns
24 around to the benefit of the utility. So, that's

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 what that 5 million represents.

2 Basically, we will have a cash benefit
3 of 5 million that we're giving to customers
4 annually. That's the 5 million amount in base
5 rates. And we wouldn't, for IRS rules, wouldn't
6 be allowed to give it back any faster than that.
7 The unprotected balance is really what we are
8 talking about as it relates to recoupment.

9 CMSR. BAILEY: Okay. Thank you very
10 much. I really appreciate your explanations.

11 And that's all I have for this panel,
12 Madam Chair.

13 CHAIRWOMAN MARTIN: Okay. I have a
14 couple more questions, and then maybe we can take
15 these, and do any redirect, and then take lunch.

16 BY CHAIRWOMAN MARTIN:

17 Q First, in Section 11, the "Assessment of Future
18 Distribution Infrastructure Needs", Staff had
19 identified, in its prefiled testimony, some
20 concerns about Eversource's infrastructure
21 replacement plans. I assume this infrastructure
22 assessment -- condition assessment is designed to
23 address those concerns. And I note, in 11.3,
24 that the Company is currently going to continue

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 with its practices.

2 So, I guess that leaves me wondering,
3 how will the assessment be implemented? What is
4 the expectation related to results and
5 implementation?

6 A (Horton) I can start, and then perhaps Mr.
7 Chagnon can jump in.

8 So, as you pointed out, we did have
9 some differences of opinion around the
10 investments that we're making and the decisions
11 that we're making. And, so, the intent of this
12 was to acknowledge that, and to try to, you know,
13 make progress towards coming to an understanding
14 around it.

15 And, so, I think the Company's
16 expectation is that this assessment will help to
17 make progress towards coming together on how we
18 view the system, and resolving some of those
19 discrepancies and differences that had emerged
20 throughout the course of the proceeding. You
21 know, how far we can get, I think, remains to be
22 seen, just based on the results of the
23 Settlement. But, certainly, we're expecting it
24 will be, you know, a process that all parties

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 find valuable, and an output that all parties are
2 also similarly finding valuable, to help,
3 basically, bring in a third party to assess the
4 system, and to help to validate the condition of
5 the system, and then be used by all parties.

6 Q Mr. Chagnon, can you enlighten me on how Staff
7 plans to use this to address its concerns? And,
8 in light of the agreement that current practices
9 will remain in effect, how do you see it being
10 implemented?

11 A (Chagnon) The engineering assessment will be
12 filed in the LCIRP docket, which is Docket DE
13 20-161. And the assessment is due on March 31st.
14 Staff and the Commission does have the
15 opportunity to hire its own engineering firm to
16 review the assessment, and for another opinion.
17 And it may not result in any allowances or
18 disallowances of any specific projects or
19 investment. But it's really meant to inform
20 whether the Company's investment strategies are
21 consistent with the least cost planning.

22 And, so, to answer your question, it
23 will all be handled within the LCIRP docket, and
24 decisions and recommendations will be made there.

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1 Q Okay. And what about the survey of the
2 customers? What do you expect to learn from that
3 and how do you expect to use that?

4 A (Horton) I would say, similar to the response
5 that Mr. Chagnon just provided, you know, there
6 was a lot of discussion in the proceeding around
7 how much reliability is enough? How much
8 resiliency is enough? How do we incorporate the
9 voice of the customer into those decisions? So,
10 really, to the same end, we wanted to have
11 something that we could utilize that was based on
12 our New Hampshire customers' perspectives, and to
13 just help to inform the discussion, as part of
14 the LCIRP, and as part of other dockets that
15 we're engaged in, and discussions that we're
16 having with the Staff and other parties.

17 Q Do have any thoughts at this point on how you're
18 going to conduct that survey?

19 A (Horton) Ms. Conner will be on later in the week,
20 and she would be the expert to speak to that and
21 would be able to provide color. But I know
22 that's one thing we also intend to participate in
23 discussions with Staff and the OCA, to ensure,
24 you know, we're utilizing the proper resources we

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1 have, customer groups in place today that we use
2 as focus groups to get feedback from them on. We
3 have survey tools that we utilize today, in our
4 Call Center interactions and other customer
5 interactions. So, I'm sure we'll look to
6 leverage those. But I think there is other
7 channels that we'd also want to try to implement,
8 to make sure that we're getting a good
9 perspective and a broad array of input.

10 Q Okay. And the other thing I wanted to cover was
11 the fee free credit and debit card payment.
12 This, as I understand it, eliminates the fee that
13 would be otherwise charged to the customer. Can
14 you walk through the cost related to that? I
15 understand there's a short-term plan to assess
16 it, to assess the adoption, and how that will
17 be -- how that cost will be covered?

18 Whether this is just a short-term
19 assessment or something you plan to have for a
20 long time?

21 A (Horton) I see. That's a great question. I view
22 it as a short-term transition. So, from the
23 Company's perspective, we have proposed to
24 eliminate the individual customer from paying

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 that fee. And, now, as part of the Settlement,
2 that's what the Settlement Agreement is
3 achieving, because that is a dissatisfier for
4 customers. If we think about how customers pay
5 bills in other aspects of their lives, that fee
6 is sort of incorporated into the total cost of
7 service. It's not something that they pay
8 separately in many aspects of their lives. So,
9 it was important to us to try to accommodate the
10 same thing.

11 From a utility perspective, you know,
12 our view of it was it's like, you know, when a
13 customer pays through other mechanisms, the costs
14 for which are built into the overall cost of
15 service. As customers, our customers, are
16 evolving and utilizing credit cards to a greater
17 extent, we're happy to be able to offer this as a
18 solution, and really treat it the same way. It
19 will be just a part of the cost of service.

20 But the concern that we have is that,
21 if we were to take that step on our own, well, we
22 wouldn't, without the proper regulatory mechanism
23 in place, because of our concern about the
24 potential for the cost to balloon. Once

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 customers understand that they can now pay
2 through a credit card and not incorporate a
3 separate fee, we expect the adoption of that
4 payment mechanism to increase, and then the cost
5 of doing that will be still incurred. And,
6 without a mechanism reflecting that, that would
7 be incorporated into the cost of service.

8 But we don't have enough experience
9 with it on our own in order to incorporate a
10 reflective amount into the cost of service that
11 we would be comfortable taking that step without
12 the proper regulatory framework in place. So,
13 the regulatory framework in place that we have
14 agreed to here builds an amount into base rates,
15 based on our estimates of the activity and the
16 costs that will be incurred. And then, we'll
17 reconcile that up or down to actual experience.

18 My expectation would be that, in our
19 future rate-setting processes, I would expect as
20 early as the next rate-setting process, we would
21 then be in a position with enough experience to
22 incorporate an amount into base rates that's
23 reflective of, you know, just like any other
24 expense, it's built into base rates at a level

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 that we expect to incur going forward.

2 It's really just the transition period
3 from customers paying the fee, to that fee now
4 being incorporated as a general cost of service,
5 that we are concerned around how quickly that
6 could balloon, and not have the ability to -- and
7 not be able to recover it with a representative
8 amount in base rates.

9 Q Is the \$375,000 in some way based upon your past
10 experience with use, or no? Where did you come
11 up with that number?

12 A (Horton) That's based on our estimated first year
13 costs, which I believe were -- and again,
14 Ms. Conner can -- we can confirm the specifics of
15 what went into that. But what we had -- what we
16 had agreed to is that \$375,000 represents our
17 estimate of the first year of the costs. And
18 then, once we get into that first year, because
19 we expect and have provided forecasts that those
20 costs will go up over time. But what we have
21 agreed to do here is we will implement the
22 estimate of the first year, and then, based on
23 the actual experience of the program, we would
24 then, if we meet or exceed that level, we would

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 then make a filing to implement the amount at a
2 higher level in year two, once we have
3 demonstrated the participation in the program
4 warrants that higher amount.

5 CHAIRWOMAN MARTIN: Okay. Thank you.
6 I don't have any other questions.

7 Ms. Amidon or Mr. Fossum, do you have
8 any questions to follow up?

9 MR. FOSSUM: I have a couple of items
10 to follow up on. But the ones that I have, I
11 believe, are probably -- they're mostly
12 meter-related, and I think are better left for
13 addressing on with the meter discussion later in
14 the week.

15 So, rather than try to push through
16 them now, and then just having to deal with them
17 later, I would rather just deal with them later.

18 MS. AMIDON: And, Madam Chairwoman,
19 that's the same situation for me, we have some.
20 I think, for one thing, Mr. Dudley may be able to
21 talk about the template development that
22 Commissioner Bailey was asking about. And I
23 think that our Meter panel will be better able to
24 answer some of those questions on meters.

[WITNESS PANEL: Chagnon|Horton|Dixon]

1 So, I don't have any redirect for my
2 witness at this point.

3 CHAIRWOMAN MARTIN: All right. Then,
4 why don't we recess for lunch at this point, and
5 plan to return at 1:30, since it's almost 12:45.
6 Okay. Thank you, everyone.

7 ***(Whereupon the Day 1 Morning Session***
8 ***was adjourned at 12:42 p.m. Please***
9 ***note that the Day 2 Afternoon Session***
10 ***will be filed under a separate***
11 ***transcript so identified.)***

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