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Witness: Donald J. Scacco, Jr. Christopher E. Colorio, Mark P. Baldwin, Douglas P. Horton, Brendan J. O'Brien, John G. Griffin, Leanne M. Landry, and Garrett J. Murray
Request from: Office of Consumer Counsel

Question:

Leadership Panel Exhibit CLP-ELP-1 – Storm Cost Recovery
The Company states that it would be inappropriate to consider the amount of catastrophic storm and pre-staging costs that is authorized for inclusion in base rates as a cap. If it were treated as a cap, it, "would only 'lessen any financial disincentive' to pre-stage for events up until the point annually that it had incurred pre-staging costs up to the level allowed in rates." (p.136).

a. Describe all financial disincentives the utility has to pre-stage for events beyond the level allowed in rates.

b. Describe all incentives the utility has to be cost-efficient in its pre-staging efforts and catastrophic storm response?

c. For the last 10 Rate Years, in which years did the Company incur pre-staging costs in excess of the level allowed in rates? For each applicable Rate Year, provide:
   i. the amount included in base rates,
   ii. the excess costs the Company requested for recovery,
   iii. the amount the PURA authorized as prudent for recovery.

d. For the last 10 Rate Years, in which years did the Company incur catastrophic storm costs in excess of the level allowed in rates? For each applicable Rate Year, provide:
   i. The amount included in base rates,
   ii. The excess costs the Company requested for recovery,
   iii. The amount the PURA authorized as prudent for recovery.

Response:

a. The sentence simply refers to the fact that, where PURA sets mandates that drive cost, without providing a path for the cost recovery, it is creating an inherent financial obstacle to the achievement of its own objectives, i.e., a "financial distinctive" for the utility to execute on the pre-staffing plans in the same way as it would where funding is available. Simply put, where funding is available, focus will be on matching resources with expected damage, whereas where funding is *not* available, there would naturally be a focus on limiting financial exposure within the context of the pre-staging exercise. An economically

rational utility will naturally be focused on limiting financial exposure within the context of the pre-staging exercise where cost recovery is not provided.

The reality is that storm response imposes numerous dimensions of risk on the electric company and pre-staging should not be an area that PURA seeks to impose "incentives" on the electric company. Importantly, one of the criteria for obtaining funding for pre-staging crews is that the Company must have found it necessary to declare an ERP event, which means that pre-staging only applies when the oncoming weather system is generating the risk of widespread customer outages, beyond what the system can manage on its own without the use of external crews. In these circumstances, pre-staging is 100% an effort to position the system for expeditious restoration of customer outages – directly in the customer interest.

Conversely, in these circumstances, Eversource assumes substantial risk from both an operational and financial perspective. In particular, the Company is required to meet PURA's comprehensive storm-response directives established in Docket No. 20-08-03 (Storm Isaias), and related dockets or risk exposure to substantial monetary penalties. Moreover, the Company must commit all kinds of financial, logistical and human resources before actual damage is known; expeditiously resolve public-safety events and other demands for up to 150 affected communities all looking to be "first;" address the needs of customers experiencing service outages; fund all expenditures long before cost recovery will occur; and face rigorous after-the-fact regulatory scrutiny regarding the prudence of all of its decisions on an after-the-fact basis when the exigent circumstances of the storm events are forgotten. In this context, cutting the funding for pre-staging activities is unwarranted and unreasonable.

b. This question appears to imply that recovery of pre-staging costs is not a necessary "incentive" for the Company given that there would be serious (negative) financial consequences for Eversource if it did not comply with PURA's requirements for a "heightened state of readiness … within the first 48 hours of a storm event to ensure the public safety."[1] However, where PURA has established a rigorous framework for emergency response and set parameters for a "heightened state of readiness," minimum staffing levels, and other comprehensive performance standards, combined with warnings of significant negative consequences for inadequate staffing from the "onset" of the storm and within the first 48 hours, then the costs of meeting those mandates should be

[1] See, e.g., Docket No. 20-08-03, Decision, April 28, 2021, at 3, stating "the Authority reiterates previous orders for the EDCs ***to develop a heightened state of readiness***, and to ensure that ***adequate field and support resources are available*** to support emergency response actions by the onset of the storm and ***within the first 48 hours of a storm*** event to ensure the public safety."

recoverable in rates, absent any finding of imprudence. These mandates reflect a conclusion that the interests of customers are served by a robust, expeditious and efficient storm response, and where this level of service is expected by customers, then rates must reflect the cost of providing that service.

Moreover, as noted in subpart (a), Eversource has significant incentive to be cost-efficient during the entire process of storm restoration, including throughout the year when storms are *not* happening because the Company finances all storm costs upfront and will not obtain full recovery for many years, even in a system (like Massachusetts) where storm costs are reviewed on a one-year cycle. At a minimum, each storm event requires up to one year to assemble the documentation and prepare the regulatory filing; at least one year for the regulator to conduct the prudence review and issue a final decision, and then up to five years to obtain full recovery through amortization – totaling a *minimum* of seven years for every dollar that the Company incurs to meet customer and regulatory expectations on storms (historically for CL&P, the Company has recovered storm costs over a six year period, once recovery commenced, after documentation had been compiled and filed with PURA and the impending regulatory review proceeding completed). Creating a recovery framework that automatically docks the Company for storm costs, so that the Company cannot recover its full costs no matter what it does will therefore create a financial incentive that is diametrically opposed to the outcome that PURA has identified is beneficial to customers.

c.

i. Please refer to OCC-520, Attachment 1, for the amount of pre-staging event costs included in base rates.

ii. Please refer to OCC-520, Attachment 2, for the excess pre-staging event costs the Company requested for recovery.

iii. Please refer to OCC-520, Attachment 2, for the amount of pre-staging event costs authorized as prudent by PURA.

d.

i. Please refer to OCC-520, Attachment 1, for the amount of catastrophic storm costs included in base rates.

ii. Please refer to OCC-520, Attachment 3, for the excess catastrophic storm costs the Company requested for recovery.

iii. Please refer to OCC-520, Attachment 3, for the amount of catastrophic storm costs authorized as prudent by PURA.