Date Filed: October 28, 2026

Witness: Brendan J. O'Brien and Garrett J. Murray
Request from: Public Utilities Regulatory Authority

Question:

(FTE ALLOCATIONS) Provide a detailed summary explaining how the Company allocates Full Time Equivalent (FTE) positions between distribution rates and other rate mechanisms (i.e., RAM Mechanisms, Conservation and Load Management, etc.). Additionally, provide a narrative on how the Company intends to handle FTEs on a forward looking basis once new distribution rates are approved.

Response:

Please note that all employees charge their labor costs in accordance with the Company's cost charging policies, which are designed to (1) directly assign costs where possible; (2) when costs cannot be direct charged they should be allocated via a causal-based cost charging methodology; and (3) when costs cannot be direct charged or allocated using causal-based cost charging methodologies, the common allocator should be used. Further, when the Company has included internal labor costs as part of the costs for which it is seeking recovery through another rate mechanism such as those included in the RAM, those labor costs are for incremental full-time equivalents ("FTEs") who have been hired as a result of newly established or altered programs that PURA has ordered the Company to support or perform since its last base distribution rate case in Docket No. 17-10-46. As such, these programs and the associated labor costs incurred to administer them are incremental to the level of costs being recovered through distribution rates set in the Docket No. 17-10-46 base distribution rate case. When the incremental FTEs work on these programs, they ensure their time is charged to the correct Company and program which is then reviewed and approved by their supervisor. To the extent the incremental FTEs hired to support these programs work on other non-incremental work, they would charge their time accordingly and such cost would not be recovered through the RAM.

As part of this proceeding, the Company is proposing to roll into base distribution rates the cost of FTEs which are incremental to current base distribution rates and have been recovered in the Company's RAM. These FTEs were either hired after the Company's last base distribution rate case into newly established roles or were transferred into newly established roles, which were created after the last rate case. These FTEs were hired to support various initiatives such as energy storage solutions, innovative energy solutions, electric vehicle programs, shared clean energy facility initiatives, low/zero emission renewable energy certificates and residential/non-residential solar programs.

The Company views the interim recovery of incremental FTEs through the RAM as a best practice. There have been numerous instances where, in order for PURA initiatives to move forward, the Company has had to hire incremental resources and has incurred incremental costs. The costs of implementing and administering these programs cannot be included in base distribution rates if such programs do not exist at the time of the base distribution rate case. As described elsewhere in this filing, the Company is proposing to implement a Performance Based Multi-Year Rate Plan ("PBMRP") as part of this proceeding, inclusive of an exogenous factor to allow for rate adjustments up or down for exogenous events that impose costs (or reduce them) to a level of significance warranting a rate change. The Company has proposed the exogenous cost threshold will be set at 0.5 percent of distribution revenues. Therefore, if PURA adopts the Company's proposed PBMRP, additional FTE costs to support new programs or initiatives would be eligible for recovery upon a showing that they have exceeded the exogenous cost threshold.

Finally, please note that Conservation and Load Management employees are not included in the Company's base distribution rate request as they charge their time to the Conservation and Load Management line of business and not the distribution line of business. Further, the Company is not proposing to roll Conservation and Load Management employees into base distribution rates in this proceeding. Costs associated with the administration of energy efficiency programs, including the Conservation and Load Management FTEs supporting such programs, will continue to be collected through the Conservation Adjustment Mechanism ("CAM") charge included within the Combined Public Benefits Charge on customers' bills.