Revised: 12/16/20

STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 19-057

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE
D/B/A EVERSOURCE ENERGY

Petition for Permanent and Temporary Rates

Order Approving Settlement and Permanent Rates

O R D E R N O. 26,433

December 15, 2020

APPEARANCES: Matthew J. Fossum, Esq., on behalf of Public Service Company of New Hampshire d/b/a Eversource Energy; the Office of the Consumer Advocate, by D. Maurice Kreis, Esq., on behalf of residential ratepayers; Primmer Piper Eggleston & Cramer PC, by Elijah D. Emerson, Esq., on behalf of Clean Energy New Hampshire; New Hampshire Legal Assistance, by Raymond Burke, Esq., on behalf of The Way Home; Ellen B. Hawes on behalf of Acadia Center; Higgins Cavanagh Cooney, by Melissa M. Horne, Esq., on behalf of Walmart, Inc.; New Hampshire Department of Environmental Services by Chris Skoglund; PretiFlaherty, by John B. Coffman, Esq., on behalf of AARP New Hampshire; Keyes & Fox LLP, by Melissa E. Birchard, Esq., on behalf of ChargePoint, Inc.; and Suzanne G. Amidon, Esq., Brian D. Buckley, Esq., and Scott J. Mueller, Esq., on behalf of Commission Staff.

This order approves a permanent distribution rate increase for Eversource Energy of $44.987 million, less rate case expenses, effective for service rendered on or after January 1, 2021, to be reconciled back to July 1, 2019, the effective date of temporary rates approved in Order No. 26,265. All Eversource customers, including those customers who take energy service from competitive suppliers, pay distribution rates. The change in distribution rates will coincide with other rate changes on January 1, 2021, that factor into a customer's monthly bill. The increase in distribution rates will cause the total monthly bill of a residential (Rate R) customer using 600 kWh of electricity to increase by $1.82 or 1.63 percent over the temporary rates approved by Commission Order No. 26,265 (June 27, 2019). The total permanent distribution rate change represents a 4.75% bill increase for the average residential (Rate R)

customer compared to the distribution rates that were in effect prior to the Company's initial filing.

I. PROCEDURAL HISTORY

Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) filed a Notice of Intent to File Rate Schedules on March 22, 2019. On March 25, 2019, the Office of the Consumer Advocate (OCA) filed a letter of participation in this docket pursuant to RSA 363:28. Eversource filed a Petition for Temporary Rates pursuant to RSA 378:27 on April 26, 2019, requesting a temporary increase in distribution revenue of approximately $33 million for effect on July 1, 2019. Eversource stated that the revenue collected under temporary rates would be subject to refund or recoupment based on the Commission's decision on its request for permanent rates. *See* RSA 378:29. Also on April 26, 2019, Eversource filed notice of its intent to file schedules for permanent rates.

On May 8, 2019, the Commission issued Order No. 26,250, which suspended Eversource's proposed temporary rate tariff pending further investigation and scheduled a Prehearing Conference, technical session, and a temporary rate hearing. During the Prehearing Conference held on May 21, 2019, the Commission granted petitions to intervene filed by Clean Energy New Hampshire (CENH) and The Way Home (TWH). During the course of the proceeding, the Commission also granted petitions to intervene filed by Acadia Center, Walmart Inc. (Walmart), New Hampshire Department of Environmental Services (NHDES), AARP New Hampshire (AARP), and ChargePoint, Inc., (ChargePoint).

On June 13, 2019, Eversource filed a Temporary Rates Settlement executed by the OCA, TWH, Commission Staff and the Company. The Temporary Rates Settlement provided for a $28.3 million temporary increase in Eversource's base distribution rates. Eversource estimated that the agreed-upon temporary rates would result in a distribution rate increase of approximately

2.7 percent on monthly bills of residential customers using 600 kWh of electricity, not taking into account other changes that would occur on August 1, 2019. The Temporary Rates Settlement also provided that Eversource would implement the temporary rate increase for service rendered on and after August 1, 2019, to coincide with changes to Eversource's energy service rate and stranded cost recovery charge rate. On June 27, 2019, the Commission approved the Temporary Rates Settlement in Order No. 26,265.

On May 28, 2019, Eversource submitted its permanent rate petition seeking a rate increase of approximately $70 million, including the initial $33 million temporary rate increase. The Company also requested a 10.4 percent return on equity. In support of its permanent rate request, the Company asserted that it had made substantial investments to maintain and upgrade the reliability and resiliency of its distribution system since its last rate case in 2009, including the investment of $800 million in capital additions. With its filing, the Company included a Motion for Confidential Treatment that the Company later amended and refiled on August 5, 2020. On June 7, 2019, the Commission issued Order No. 26,256, suspending the Company's proposed tariff for a permanent rate increase pending further investigation. The Commission approved a procedural schedule by secretarial letter dated June 28, 2019, and discovery ensued.

On November 4, 2019, Eversource filed an updated revenue requirement calculation that included 16 adjustments accepted by the Company based on discovery requests or other updates. The filing reduced the requested rate increase to approximately $69.3 million.

Pursuant to the procedural schedule, Staff and the OCA filed testimony on December 20, 2019. Walmart, NHDES, CENH, AARP, TWH, and ChargePoint also filed testimony. Staff recommended a revenue requirement increase of $24.4 million and a return on equity of 8.25%. Staff also recommended a disallowance of capital costs associated with approximately

$63 million of plant in service that Staff found were not adequately explained or justified by the Company.

Consistent with the procedural schedule, Eversource filed rebuttal testimony on March 3, 2020, refuting various positions taken by the parties. TWH also filed rebuttal testimony.

On February 5, 2020, Staff filed a motion requesting that the Commission remove Eversource's Electric Vehicle (EV) charging infrastructure proposal from Eversource's petition for a permanent rate increase. NHDES and CENH filed objections to the motion, and the OCA filed a statement in support of Staff's motion.

Shortly thereafter, in March 2020, the COVID-19 pandemic began. As a result, the Commission, on its own and at the parties' request, approved extensions to the procedural schedule. On April 24, 2020, the Governor of New Hampshire issued Exhibit D to Executive Order #29, extending the Commission's authority to suspend rate investigations from 12 to 18 months, due to the COVID-19 pandemic.

The Commission issued Order No. 26,361 addressing Staff's motion regarding EV infrastructure on May 28, 2020. In that Order, the Commission allowed the EV infrastructure proposal to remain as an issue in the permanent rates case. The Commission directed, however, that issues related to the design of rates for charging electric vehicles raised by intervenors should be addressed in Docket No. IR 20-004, the Commission's investigation of EV charging rates and rate structure.

Citing the economic impact of the pandemic and the resulting effects on its members, AARP filed a pleading on April 16, 2020, requesting the Commission order Eversource to file supplemental testimony to update its testimony for the impacts of the pandemic. AARP also requested that the Commission stay the effectiveness of the previously approved temporary rates. Eversource filed an objection to AARP's motion.

On June 16, 2020, the Commission issued Order No. 26,363, denying AARP's motion to suspend the temporary rates. Instead, the Commission directed the Company to update its rate of return testimony in light of economic changes caused by the pandemic, and permitted parties who had previously filed rate of return testimony to update their analysis as well. In Order No. 26,363, the Commission also suspended the investigation into the Company's permanent rate schedules for an additional six months as authorized by the Governor's emergency order, resulting in a full 18-month suspension.

In response to Order No. 26,363, the Company as well as Staff and the OCA filed updated or supplemental testimony on capital costs on July 16, 2020. Staff also filed an updated revenue requirement, along with Staff's Final Audit report related to Eversource's permanent rate case filing.

The Commission issued a secretarial letter on July 7, 2020, approving a revised procedural schedule for hearings in this case, and directing that the hearings be held consistent with remote hearing guidelines used by the Commission in response to the constraints compelled by the pandemic. On July 17, 2020, the OCA submitted a motion for rehearing of certain determinations in the July 7 secretarial letter. In Order 26,392, issued on August 10, 2020, the Commission denied the motion.

On October 9, 2020, Staff and the parties filed a Settlement Agreement (Settlement Agreement), signed by all parties and Staff. The Settlement Agreement, including attachments, if approved, would resolve all issues raised in this case. [1] The Commission conducted hearings

[1] On October 9, 2020, Eversource also filed a petition for the first of three step adjustments to distribution rates included in the Settlement Agreement.

on the Settlement on October 26, 27, and 29. At hearing, the Commission granted the Motion for Confidential Treatment filed by Eversource on August 5, 2020.

On November 30, 2020, Eversource filed a letter requesting that the Commission reopen the evidentiary docket to accept the technical statement of Douglas P. Horton, along with supporting information. The stated purpose of the filing is to substantiate that the settled revenue requirement and base rates include $2,449,051 of rate case expenses to be recovered over 5 years at a rate of $489,810 annually, subject to audit, reconciliation, and further approval of the Commission.

The petition and subsequent docket filings, other than any information for which confidential treatment has been requested of or granted by the Commission, are posted on the Commission's website at https://www.puc.nh.gov/Regulatory/Docketbk/2019/19-057.html.

II. INITIAL POSITIONS OF THE PARTIES AND STAFF

A. Eversource

Eversource presented its proposed permanent rate increase in its pre-filed testimony, with related exhibits and schedules, filed on May 28, 2019. The Company used 2018 as its test year in developing its permanent rate revenue requirement, and calculated its total cost of service to be $436,202,680. The Company computed a distribution revenue deficiency of $69,912,696 based on adjusted test year distribution revenues of $366,289,983. The Company based its calculation of the revenue deficiency on the Company's adjusted test year rate base of $1,215,667,897 and assumed a weighted average cost of capital of 7.62 percent.

Eversource requested a permanent rate increase consisting of an initial $33 million temporary rate increase and a $36.8 million permanent rate adjustment. Eversource stated that an increase in base rates was required in order to strengthen and evolve its distribution system to meet the growing expectation of customers for reliability, resiliency, and more service options

including distributed clean energy. In addition, Eversource proposed a series of four annual step adjustments to collect the revenue requirement associated with anticipated capital investments and certain infrastructure expense. The estimated amount of the step increases was $15 million in Step 1 (2019); $21 million in Step 2 (2020); $14 million in Step 3 (2021) and $16 million in Step 4 (2022).

Eversource proposed an overall pre-tax weighted cost of capital of 7.62 percent based on a capital structure of 54.85 percent equity at a cost of 10.4 percent; 41.98 percent long-term debt at a cost of 4.37 percent; and 3.17 percent short-term debt at a cost of 2.45 percent. The Company's filing reflected a number of normalizing adjustments to the test year including an increase of approximately $17.9 million in operations and maintenance expense and $14.7 million in other operating expense. Additionally, Eversource requested authority to amortize and recover its $9 million share of one-time costs to complete the 2012 merger between NSTAR and the Company's parent Eversource Energy, formerly Northeast Utilities.

With its request for permanent rates, Eversource also sought approval of the following additional measures: (1) a Grid Transformation and Enablement Program (GTEP) designed to recover the costs of accelerated investments in distribution upgrades and integration of advanced technologies; (2) a Major Storm Cost Recovery mechanism (MSCR) to permit the Company to annually reconcile annual storm costs above or below the level in base rates; (3) a reconciling mechanism for recovery of the costs of certain vegetation management activities that exceeded rate base revenues for that purpose; (4) a Regulatory Reconciliation Adjustment (RRA) mechanism for the recovery of certain variable costs above the amount included in base rates; (5) a Fee Free proposal to allow residential customers to pay their bills by credit card without a transaction fee; (6) a New Start Arrearage Forgiveness program (New Start) that provides payment assistance for certain residential customers with past due utility bills; (7) a Distribution

Rate Adjustment Mechanism (DRAM) which acts as an umbrella reconciling rate to recover costs associated with certain regulatory expenses and the GTEP, MSCR, Fee Free, New Start, and vegetation management programs; and (8) several other changes to the Company's tariff.

Based on discovery responses and other updates, the Company filed a revised revenue requirement calculation in November 2019, reducing the total amount of its requested rate increase to $69,254,451. Eversource also filed rebuttal testimony responding to testimony filed by Staff, the OCA, and several other parties. Eversource disagreed with Staff's challenges to capital projects, and provided supplemental information on the Company's capital budgeting and planning process. Eversource also defended its proposals for numerous reconciling rate mechanisms. In addition, Eversource reiterated its position that a return on equity of 10.4 percent with a 55/45 equity/debt capital structure was reasonable.

B. OCA

The OCA concluded that the Company's revenue deficiency was approximately $23.5 million and recommended a return on equity of 8.2 percent and an overall rate of return of 6.45 percent. The OCA opposed implementation of the proposed step increases because they were not known and measurable and constituted an inappropriate multi-year rate plan. In addition, the OCA opposed continuation of the Lost Revenue Adjustment Mechanism (LRAM) to calculate the System Benefits Charge because it is a one-sided decoupling mechanism. The OCA supported adoption of a symmetric decoupling mechanism in place of the LRAM, including implementation of conservation voltage reduction. The OCA recommended that the cost of replacing all of the Company's traditional meters with Automatic Meter Reading (AMR) meters and technology be disallowed from rate base. The OCA also recommended a number of rate design adjustments including reduction of the customer charge to $11 per month. In its updated testimony, the OCA recommended a return on equity of 8.64 percent.

C. CleanEnergy and ChargePoint

CleanEnergy stated that the GTEP proposal did not contain actual grid-transformational projects and thus should not be afforded a special rate recovery mechanism. CleanEnergy also recommended that any projects for the integration of advanced energy solutions be addressed in Docket IR 15-296.[2] CleanEnergy and ChargePoint supported the Company's proposal to invest $2 million in distribution facilities for electric vehicle charging stations and recommended that the Company develop alternatives to traditional, demand-based electricity rate structures for Direct Current Fast Charging stations.

D. Department of Environmental Services

NHDES recommended that Eversource include a proposal for an EV time-of-use rate for the residential sector. NHDES stated that utility rates can have a significant role in EV adoption and charging behavior. Because this is the Company's first rate case in ten years, NHDES recommended consideration of rates, rate classes, or rate designs that would overcome the disincentive for investment in Direct Current Fast Charging facilities for EVs.

E. The Way Home

TWH supported approval of the Company's New Start and Fee Free programs and recommended certain changes and enhancements to the program rules and guidelines, including those relating to hardship customers and individuals with limited English proficiency. TWH opposed recovery of the New Start program costs through the DRAM and recommended that those costs be exclusively reflected in distribution base rates. Additionally, TWH opposed reimbursement for 100 percent of the arrearage credits provided in the New Start program

[2] Docket IR 15-296 is designated for the investigation of grid modernization for electric distribution utilities.

because such reimbursement should be decreased to reflect revenues that would not have been collected without the program and the Company's reduced operating expense.

F. AARP New Hampshire

AARP opposed the proposed DRAM and continuation of the LRAM to calculate the System Benefits Charge. AARP recommended reducing the allocation of the rate increase to residential customers, freezing the Outdoor Lighting rates and eliminating the optional time-of-day rate (Rate R – OTOD). Additionally, AARP recommended a reduction of the proposed customer charge from $13.89 to $8.69 and supported the proposed tariff change to allow customers to block electronic enrollments from energy suppliers.

G. Walmart

Walmart stated that electricity is a significant cost for retailers and that the Commission should consider the impact of the proposed rate increase and related allocations and rate design on business customers. Walmart supported continuation of the Company's current 9.67 percent authorized return on equity because it is consistent with recent Commission decisions and national trends. Walmart did not take a position on the Company's proposed cost of service model.

H. Staff

Staff initially recommended an adjusted revenue requirement of approximately $24.4 million and rate base reductions of approximately $63 million. Staff recommended a number of adjustments to the Company's operating income, normalizing adjustments, and rate base. Staff's proposed adjustments to operating income included reductions in the proposed rate increase related to vegetation management, incentive compensation, senior executive retirement plans and enterprise IT expense. Staff also opposed the recovery of any merger related costs. In addition, Staff found that the Company did not adequately explain or justify many of its capital

investments and failed to comply with its own budgeting and oversight procedures. As a result, Staff recommended a decrease in rate base of $49.5 million and that the Company be required to undergo a business process audit.

Staff opposed the Company's proposal for step increases and creation of the DRAM. Staff also opposed the use of reconciling rate recovery mechanisms for MSCR, GTEP, New Start, and vegetation management. In addition, Staff opposed recovery of costs for accelerated pole replacement and for other measures contained in Eversource's GTEP proposal. Staff noted that the Company's proposed step increases represent an additional $64.8 million in incremental distribution revenues, almost doubling the Company's request for an increase of $69.9 million in permanent distribution rates.

Staff proposed an overall rate of return of 6.24 percent, based on a return on equity of 8.25 percent and a capital structure of 50 percent equity and 50 percent debt. With respect to rate design, Staff recommended that the Company rely on the Marginal Cost of Service study to move toward more cost reflective rates and minimize intra-class subsidies. Staff supported the implementation of the New Start and Fee Free programs with the addition of certain conditions and reporting requirements.

In its updated testimony, Staff proposed an adjusted revenue requirement of approximately $37.8 million with reductions to rate base of approximately $49.5 million. Additionally, in its updated testimony Staff recommended a rate of return of 6.47 percent and a return on equity of 8.70 percent.

III. SETTLEMENT AGREEMENT

The Settlement Agreement, executed and filed on October 9, 2020, was signed and supported by Staff and all parties to the case. The Settlement reflects the unanimous agreement of all parties to resolve all matters pertaining to Eversource's permanent rate request. The full

terms of the Settlement Agreement are found at Hearing Exhibit (Exh.) 58, which contains a 38-page settlement and 11 appendices. The Commission conducted evidentiary hearings on the Settlement Agreement on October 26, 27, and 29, 2020.

Section 1 of the Settlement Agreement provides an introduction and procedural history. The signatories to the Settlement Agreement recommended and request that the Commission approve the Settlement Agreement without modification.

Under Section 2 of the Settlement Agreement, Revenue Requirement Increase, Eversource would be allowed a permanent rate increase of $44.987 million effective for service rendered on or after January 1, 2021, to be reconciled back to July 1, 2019, the effective date of the temporary rates as approved in Order No. 26,265 (June 27, 2019). The agreed-upon revenue increase reflects adjustments that are quantified in the aggregate, but not specifically identified, by agreement of the parties. Section 2 states that the Company shall be authorized to establish a regulatory asset in the amount of $5 million to be recovered over 10 years through an amortization of $500,000 per year. Section 2.4 states that the adjustments made to the revenue requirement for purposes of reaching settlement shall not establish precedent for future rate proceedings.

Section 3, Plant in Service, includes a number of prospective measures designed to address issues raised by various parties in the proceeding. In connection with Staff's concerns about the Company's documentation for certain capital projects and their planning, budgeting, and management activities, the Company, Staff, and the OCA are to work together to develop a regulatory review template. The template would guide the development and production of capital project documentation in order to facilitate review of the Company's future requests to recover the costs of capital investments. Under Section 3.2, the Company also agreed to a business process audit to be conducted and overseen by Staff using a third-party consultant as

detailed in Appendix 2. Section 3 also addresses concerns about the Company's investments in AMR infrastructure. Eversource has agreed to depreciate its existing AMR infrastructure using whole life depreciation over nine years. The Settlement Agreement also allows for the retention of an independent accountant to verify the accuracy of the meter plant accounting.

In light of the OCA's observations and concerns regarding the Company's investments in AMR infrastructure, including limitations compared to advanced metering that enables advanced rate designs, Section 4 of the Settlement Agreement requires the Company to conduct an assessment of the feasibility of deploying advanced metering functionality (AMF) in New Hampshire, building on the work recently conducted by Eversource Energy in Connecticut and filed with the Connecticut Public Utilities Regulatory Authority. Section 4 details the parties' agreement regarding the components of the assessment including sensitivity analysis and the use of multiple scenarios.

Section 5, Major Storm Cost Reserve, provides that Eversource will include $12 million annually in rates for the major storm reserve. Rather than implement a reconciling mechanism for storm costs, the Company would be permitted to file for a separate, temporary amortization of storm costs for storm events that exceed $25 million per event, which may include a request to recover costs for repair of damage due to such storm events through a surcharge (Storm Cost Adjustment Mechanism).

Section 6, Vegetation Management Program, would permit the Company to include $27.1 million annually in rates for vegetation management. Of this amount, $11.6 million annually is associated with enhanced tree trimming (ETT) and hazard tree removal; $14.0 million annually is associated with scheduled maintenance trimming (SMT); and $1.5 million annually is associated with full-width right-of-way (ROW) clearing. This section of the Settlement Agreement, and Appendix 3, also detail the operation of the annual reconciliation for

vegetation management program costs and requires the Company to undertake an assessment of ETT and hazard tree removal activities in an engineering review.

Section 7 addresses certain cost of service adjustments, including the use of whole-life depreciation and the treatment of an accrual for uncollectible expense. This section permits the Company to recover the environmental reserve/MGP[3] liability in the Stranded Cost Recovery Charge (SCRC) rate at equal cents per kWh across customer classes rather than in distribution rates. To address the shift to the SCRC, the Company has removed an annual amortization of $2.3 million over four years as of December 31, 2018, from its proposed revenue requirement in this case and shall include it in the SCRC filing following approval of this Settlement Agreement.

The agreement on cost of capital is addressed in Section 8. This section would allow the Company a pre-tax weighted cost of capital of 6.87 percent based on a cost of equity of 9.3 percent and a capital structure of 54.4 percent equity and 45.6 percent debt. The capital structure and overall cost of debt has been adjusted to reflect the issuance of $150 million in long-term debt in August 2020 at favorable rates, which reduced both Eversource's cost of debt and its overall cost of capital.

Implementation of an annual regulatory reconciliation adjustment (RRA) mechanism is detailed in Section 9 of the Settlement Agreement. The RRA would permit the Company to request recovery or refund of a limited set of costs, including: a) regulatory commission annual assessments and special assessments for consultants hired or retained by the Commission and OCA; b) vegetation management program variances; c) property tax expenses, as compared to the amount in base rates; d) lost-base distribution revenues associated with net metering; and

[3] "MGP" refers to a decommissioned manufactured gas plant located in Keene.

e) storm cost amortization final reconciliations and annual reconciliations updated for actual cost of long-term debt. Section 9 also details the operation and calculation of the RRA, and certain annual reporting requirements described in Appendix 4.

Section 10 of the Settlement Agreement would allow Eversource to file three step adjustments. Step 1 would include calendar year 2019 plant-in-service and would be implemented concurrent with the increase in base rates in this proceeding. Step 1 would be capped at $11 million and will exclude new business/growth-related projects. Step 2 would reflect an increase for calendar year 2020 plant-in-service and would be effective August 1, 2021. In addition, Step 2 would be capped at $18 million and limited to projects identified in Appendix 5 with some identified exceptions. Step 3 would reflect an increase for calendar year 2021 plant-in-service to be effective August 1, 2022, and would be capped at $9.3 million and exclude new business/growth-related projects. All step adjustments would be subject to Commission Staff audit and reconciliation based on the results of the audit, and would require Commission approval.

Section 11 addresses concerns regarding certain of Eversource's practices and planned capital investments related to system resilience, and the potential acceleration of those investments under what it described as a Grid Transformation Enablement Program. In light of those concerns, the Company has agreed to hire an engineering firm to perform a condition assessment of the Company's distribution infrastructure, including substations, to provide recommendations related to the Company's short and long-term system needs consistent with the requirements of least-cost integrated resource planning. The Company also agreed to conduct a comprehensive survey of Eversource's customers regarding their prioritization of reliability and resiliency versus cost.

Pursuant to the Settlement Agreement, Eversource would implement the New Start program and a modified version of the Fee Free program in New Hampshire. Sections 12 and 13 set forth the agreement on the terms and conditions for operation of these two programs, which are further described in Appendices 6 (Fee Free) and 7 (New Start). Section 14 specifies certain agreements regarding tariffs and rate design. The parties agreed that: a) the Company's updates to fees and charges in its Terms and Conditions should be approved as filed; b) the tariff provision allowing default Energy Service customers to block incoming enrollments from competitive suppliers will be eliminated; c) the Company will propose a symmetrical decoupling mechanism in its next rate case; d) the Company's customer charge will remain at the level implemented pursuant to the Temporary Rates Settlement Agreement until the Company's next rate case; e) the revenue increase shall be allocated in equal proportionality among the classes; f) within six months of the approval of this Settlement Agreement, the Company will propose amendments to its tariff to revise its optional time-of-day rate for residential customers; g) the Company will phase out declining block rates for all rate classes where such rates exist, with half of the differential eliminated in this rate case and the remainder in the next rate case; and h) the Company will make certain changes and enhancements to its tariff relative to outdoor lighting, as further detailed in Appendix 8.

Under Section 15, the Excess Deferred Income Tax (EDIT) credit associated with Protected Property and Unprotected Pension (amortized over 10 years) would be incorporated as a component of base rates, resulting in a reduction of the revenue deficiency of approximately $5.1 million. As noted in Section 16, Electric Vehicles, matters of rate design regarding electric vehicles have been excluded from this rate case and are only included by reference in the Settlement Agreement with respect to one or more future filings by the Company in a separate docket. Within four months following approval of the Settlement Agreement,

Eversource is to file a proposal for make-ready investments supporting EV charging infrastructure in New Hampshire and request that the Commission open a new docket to consider the proposal. The Company's filing is to include a proposal for an alternative to demand charges for electric vehicle charging rates unless the Commission determines otherwise in the adjudicative proceeding announced in Docket No. IR 20-004. The Settlement Agreement does not include or contemplate any specific cost recovery relating to any proposed deployment or development of electric vehicle charging infrastructure.

Appendix 9 includes a revised tariff reflecting the provisions of the Settlement Agreement, and Appendix 10 provides detail on the rate allocations and bill impacts. Under the General Provisions of the Settlement Agreement (Section 18) the Settling Parties agree that the Commission's approval of this Settlement Agreement will not constitute continuing approval of, or precedent for, any particular principle or issue, but such acceptance does constitute a determination that the adjustments and provisions stated in their totality are just and reasonable and consistent with the public interest.

On November 30, 2020, Eversource filed a letter requesting the record be reopened for the purpose of accepting a technical statement and supporting information related to rate case expenses Eversource represented are included in the settled revenue requirement. In the November 30 letter, the Company represented the settled revenue requirement includes $2,449,051 of rate case expenses to be recovered over 5 years at a rate of $489,810 annually, subject to audit, reconciliation, and further approval of the Commission after Eversource files for recovery of its full amount of rate case expenses, with supporting documentation, as required by the Commission's rules. The Settlement Agreement itself, as executed by Staff and the Parties, did not include mention of the rate case expense amount or terms.

IV. COMMISSION ANALYSIS

The Commission is authorized to fix rates after a hearing, upon determining that rates, fares, and charges are just and reasonable. RSA 378:7. In circumstances where a utility seeks to increase rates, the utility bears the burden of proving the necessity of the increase pursuant to RSA 378:8. In determining whether rates are just and reasonable, the Commission must balance the customers' interest in paying no higher rates than are required against the investors' interest in obtaining a reasonable return on their investment. *Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994). In this way, the Commission serves as arbiter between the interests of customers and those of regulated utilities. *See* RSA 363:17-a; *see also EnergyNorth Natural Gas, Inc. d/b/a National Grid NH*, Order No. 25,202 at 17 (March 10, 2011).

Informal disposition is encouraged and may be made of any case at any time prior to the entry of a final decision or order. RSA 541-A:31,V(a), :38. New Hampshire Administrative Rule, Puc 203.20(b) requires the Commission to determine, prior to approving a settlement, that the settlement results are just and reasonable and serve the public interest.

The Commission encourages parties to attempt to reach a settlement of issues through negotiation and compromise, as it is an opportunity for creative problem solving, allows the parties to reach a result more in line with their expectations, and is often a more expedient alternative to litigation. *EnergyNorth Natural Gas, Inc. d/b/a National Grid NH,* Order No. 25,202 at 18 (March 10, 2011). Even where all parties join a settlement agreement, as in this case, the Commission cannot approve it without independently determining that the result comports with applicable standards. *Id*. As the Settlement Agreement pertains to a rate case, the underlying standard to be applied is whether the resulting rates are just and reasonable. RSA 378:7. In addition, RSA 378:28 is an applicable standard in setting permanent rates.

The Settlement Agreement calls for an overall revenue increase of $44.987 million plus step increases of no more than $11 million, $18 million, and $9.3 million, effective for allowed projects and programs closed to plant in 2019, 2020, and 2021, respectively. The revenue increase of $44.987 million will result in a 1.64 percent increase in monthly bills over current approved temporary rates or an increase of $1.82 per month for a typical residential customer taking electric supply from Eversource and using 600 kilowatt hours per month. This increase provides for a return on equity of 9.3 percent, and a capital structure of 54.4 percent equity and 45.6 percent debt.

We compare these amounts to the revenue increase sought by Eversource (a revenue increase of $69,254,451 plus cumulative step adjustments of approximately $64.8 million for 2019, 2020, 2021, and 2022), to that originally recommended by Staff ($24,875,910 revenue increase with no step adjustments) and to that originally recommended by the OCA ($23,452,776 with no step adjustments). From that comparison, we understand that the amount of the revenue increase in the Settlement Agreement represents a negotiated amount that the Settling Parties agree will provide the Company the revenues necessary to provide safe and reliable service. We find the compromise by the diverse parties and Staff to be an indication that the Settlement Agreement is reasonable. *See Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities*, Order No. 25,638 at 15-16 (March 17, 2014).

Based on the evidence before us, we find the capital structure, overall rate of return, and return on equity to be reasonable, although we recognize the significant volatility and changes in the markets over the last several months. *See* Exhs. 52 (Eversource Updated ROE Testimony), 53 (OCA Updated ROE Testimony), 54 (Staff Updated ROE Testimony) and Hearing Transcript of October 26, 2020 (Morning) at 6-8, 12-19, and 21-22. We also note that the return on equity we are approving is within the scope of recent equity returns approved by the Commission,

which is a reasonable but by no means definitive indication of an appropriate return on equity. *See Bluefield Water Works & Improvement Co. v. P.S.C. of West Virginia*, 262 U.S. 679 (1923) and *F.P.C. v. Hope Natural Gas Co.*, 320 U.S. 591 (1944), *see, e.g., Liberty Utilities (Granite State Electric) Corp., d/b/a Liberty Utilities,* Order No. 26,376 at 12 (June 30, 2020); *Unitil Energy Systems Inc.*, Order No. 26,007 at 16-17 (April 20, 2017) (approving a return on equity of 9.5 percent); *Liberty Utilities (EnergyNorth Natural Gas) Corp., d/b/a Liberty Utilities*, Order No. 26,122 at 43 (April 27, 2018) (approving a return on equity of 9.3 percent); *Liberty Utilities (Granite State Electric) Corp. d/b/a Liberty Utilities*, Order No. 26,005 at 13 (April 12, 2017) (approving a return on equity of 9.4 percent).

On November 30, 2020, the Commission received a letter from Eversource requesting to reopen the record to admit the Company's technical statement and supporting information. We grant the November 30, 2020, request to reopen the record to admit the technical statement and attachments because we find that it enhances our ability to resolve the matter in dispute. Specifically, the filing calls into question whether the revenue requirement set forth in the Settlement Agreement included a portion of the rate case expenses incurred by the Company during this proceeding.

The record before us includes significant testimony made under oath and adopted during the hearing that supports the required findings, with the exception of findings related to rate case expenses. Neither the Settlement Agreement itself, nor the record, indicated that the settled revenue requirement contained $2,449,051 in rate case expenses, or contained a stipulation of the parties as to the accuracy or prudence of such expenses. Eversource's November 30 filing failed to satisfactorily establish an amount of rate case expenses for recovery from rate payers. The filing acknowledged that the Settlement Agreement did not contain a term related to the rate case expenses. It remains unclear whether all parties agreed to the amount or to the terms proposed

by the Company. The filing also did not provide for an accounting mechanism or a downward adjustment to base rates after the expenses are recovered. Moreover, the record did not include evidence necessary to support the findings required by the administrative rules governing rate case expenses, and no waiver request was made. We therefore cannot approve the inclusion of that amount of rate case expenses in base rates. Instead, we direct Eversource to remove the rate case expenses from the settled revenue requirement and file a request for recovery of all its rate case expenses in accordance with the Commission's Chapter Puc 1900 Rules. We direct Eversource to file an exhibit showing its calculation of the revised revenue requirement, any consequent changes to the step adjustments provided for in the Settlement Agreement, and will hold the record open for that purpose. We also direct Eversource to file a tariff that is in compliance with this order.

Otherwise, we have reviewed the record and conclude that the Settlement Agreement balances the interests of the customers' desire not to pay rates that are higher than reasonably necessary and the investors' right to earn a reasonable return on their investment. *See Eastman Sewer Company, Inc.*, 138 N.H. 221, 225 (1994). We find that all investments that are the subject of this proceeding have been prudently incurred and are used and useful in the provision of public utility service. *See* RSA 378:28 (prohibiting any return on any plant, equipment, or capital improvement that has not been found to be prudent, used, and useful). Accordingly, we find the resulting rates, adjusted to remove rate case expenses, are just and reasonable as required by RSA 374:2, RSA 378:7, and RSA 378:28, and that the settlement results as conditioned by this order are just and reasonable and serve the public interest. We therefore approve the Settlement Agreement subject to the conditions herein.

One of the terms of the Settlement Agreement is to develop a regulatory review template to be used to review investments that will be put in rate base using step adjustments between rate

cases. We commend the parties for their agreement to improve the review process and believe this kind of documentation will assist the Commission in reviewing the prudency of future investments. While we understand the documentation is being developed to assist review of step adjustments, we also believe the same documentation, filed in years between step adjustments and the next test year, will improve prudency reviews in future rate cases. In response to a question from the Commission about whether such documentation could be filed annually, Mr. Horton responded: "Yes. Again, I wasn't -- I don't have any particular negative reaction to that. But that wasn't, I don't think, what we were intending to do, to file it every year." Tr. Day 1, Morning at 44.

Despite the fact that the parties did not intend to file the regulatory review template annually, we find that such an annual filing in years between step adjustments and test years, will assist review in future rate cases of investments to be included in rate base. We understand the template is subject to further revisions, including after the business process review is completed, and we encourage that development. We direct Staff and the Company to recommend an annual filing date for the regulatory review template in conjunction with the third step adjustment filing expected in May 2022, to be used for investments made in calendar year 2022 forward. To be clear, we will continue to determine whether those documented annual investments are prudent, in rate cases, when the investment less depreciation is to be included in rate base.

Based upon the foregoing, it is hereby

ORDERED, that the Settlement Agreement regarding Permanent Distribution Rates among Eversource, Staff, the Office of the Consumer Advocate, Clean Energy New Hampshire, New Hampshire Department of Environmental Services, The Way Home, Acadia Center, Walmart, Inc., AARP New Hampshire and ChargePoint, Inc. and as modified and conditioned above is hereby APPROVED; and it is

FURTHER ORDERED, that Eversource shall remove any rate case expenses from the settled revenue requirement, and file exhibits and a technical statement demonstrating its calculation of the revised revenue requirement, and any resulting adjustment to the step adjustments provided for in the Settlement Agreement; and it is

FURTHER ORDERED, that Eversource is hereby authorized to begin recovery of the increase to its revenue requirement of $44.987 million, less rate case expenses, in rates effective with service rendered on and after January 1, 2021, to be reconciled to temporary rates approved in Order No. 26,265 (June 27, 2019), consistent with the Settlement Agreement; and it is

FURTHER ORDERED, that Eversource shall file for recovery of all rate case expenses, within 30 days, all in conformity with N.H. Admin. R., Chapter Puc 1900; and it is

FURTHER ORDERED, that Eversource file the regulatory review template annually, after consideration of revisions based on the business process audit and the Step 2 and Step 3 adjustments, beginning with investments made in calendar year 2022; and it is

FURTHER ORDERED, that Eversource is authorized to recover step increases as provided in the Settlement Agreement, and as necessary to reflect removal of rate case expenses from the settled revenue requirement, subject to further review and approval by the Commission for effect January 1, 2021, August 1, 2021, and August 1, 2022; and it is

FURTHER ORDERED, that Eversource shall file tariffs conforming to this order within 15 days of the date of this Order pursuant to N.H. Admin. R., Puc 1603.02(b).

By order of the Public Utilities Commission of New Hampshire this fifteenth day of December, 2020.

Dianne Martin
Chairwoman

Kathryn M. Bailey
Commissioner

Attested by:

Debra A. Howland
Executive Director

Service List - Docket Related

Docket#: 19-057

Printed: 12/15/2020

Email Addresses

ExecutiveDirector@puc.nh.gov
palvarez@wiredgroup.net
suzanne.amidon@puc.nh.gov
robert.bersak@eversource.com
mbirchard@keyesfox.com
aboyd@acadiacenter.org
brianna@cleanenergynh.org
james.brennan@oca.nh.gov
kelly@cleanenergynh.org
brian.buckley@puc.nh.gov
rburke@nhla.org
richard.chagnon@puc.nh.gov
pradip.chattopadhyay@oca.nh.gov
jessica.chiavara@eversource.com
john@johncoffman.net
roger@fsconline.com
kristi.davie@eversource.com
johndefever@yahoo.com
kurt.demmer@puc.nh.gov
allen.desbiens@eversource.com
paul.dexter@puc.nh.gov
troy.dixon@eversource.com
jdonahue@preti.com
pearl.donohoo-vallett@brattle.com
jay.dudley@puc.nh.gov
Stephen.Eckberg@puc.nh.gov
eemerson@primmer.com
matthew.fossum@eversource.com
tom.frantz@puc.nh.gov
mhorne@hcc-law.com
tklaes@blueridgecs.com
donald.kreis@oca.nh.gov
erica.menard@eversource.com
tmlarkinassociates@gmail.com
madeleine@cleanenergynh.org
karen.moran@puc.nh.gov
scott@sjmuellerlaw.com
dmullinax@blueridgecs.com
rnelson@strategen.com

elizabeth.nixon@puc.nh.gov
amanda.noonan@puc.nh.gov
ocalitigation@oca.nh.gov
rebecca.ohler@des.nh.gov
rorie.patterson@puc.nh.gov
melissa.price@eversource.com
agustin.ros@brattle.com
sanem.sergici@brattle.com
Christa.Shute@oca.nh.gov
christopher.skoglund@des.nh.gov
stower@nhla.org
Jacqueline.Trottier@puc.nh.gov
dvenora@keeganwerlin.com
david.wiesner@puc.nh.gov
jrw@psu.edu
craig.wright@des.nh.gov