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Witness: Douglas P. Horton
Request from: Office of Consumer Counsel

Question:

(SCRAF Mechanism) In CLP-ELP-1, page 155, the Company cites the Massachusetts storm cost mechanism as a model.

a. Please identify every material difference between the Massachusetts mechanism and the proposed SCRAF, including the five-year amortization period, the prudence review process, eligibility criteria or thresholds for recovery, and the carrying charge methodology.
b. Please identify other jurisdictions in which Eversource (or an affiliate) operates a storm cost recovery mechanism similar to the proposed SCRAF. Name any material differences between the other jurisdiction's adopted storm cost recovery mechanism and the proposed SCRAF. Explain why the Company has proposed a modification in the current proceeding. Provide the approved tariff or decision for each.

Response:

a. The table below compares the Company's proposed storm cost recovery mechanism in Connecticut with the existing, approved storm cost recovery mechanism under which NSTAR Electric Company ("NSTAR") operates in Massachusetts. The table highlights the key differences between the two mechanisms and provides the rationale for the Company's proposed approach for Connecticut.

Category	Massachusetts	CL&P Connecticut Proposal	Comments
Reserve Threshold	Any single storm in which NSTAR incurs $1.3 million in incremental O&M cost will be eligible for recovery through the Storm Fund. Massachusetts does not have a pre-staging mechanism, but these costs are generally covered with the lower threshold, and recovery of the thresholds in base rates.	Any single storm in which CL&P incurs $5.4 million in incremental O&M cost will be eligible for recovery through the Storm Reserve.	Storm fund design involves tradeoffs between funding recovery for Non-Catastrophic and Non-PreStaging through base rates and the threshold for accessing the reserve fund. The Connecticut threshold has historically been much higher than Massachusetts (i.e., $1.3M vs. $4M). The Company's proposed threshold aligns with historical practice, maintaining continuity in the design of the mechanism. Specifically, the proposed $5.4M threshold for Connecticut was calculated by escalating the current catastrophic storm threshold of $4 million using inflation factors based on GDP-PI from 2018 through the Rate Year.

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Storm Cost Recovery Deductible	For each of the first eight Storm Fund-eligible events in a calendar year—that is, storms meeting the $1.3 million threshold—NSTAR must deduct the first $1.3 million from its recovery request for each event. To provide for recovery of those "thresholds," the MDPU incorporated $7.8 million in base rates, representing six storms at $1.3 million storm deductibles per storm. For each Storm Fund-eligible event after the eighth in a calendar year (i.e., events 9 and beyond), NSTAR is allowed to recover the *total costs* for each event; i.e., the $1.3 million deductible no longer applies. If there are fewer than five Storm Fund-eligible events in a calendar year, customers receive a $1.3 million credit for each event below the five-event threshold that did not occur.	N/A	From a practical perspective, the framework in CT is no different because the Company is allowed to recover the full cost of catastrophic storm events, so long as the threshold is surpassed (i.e., there is no so-called "deductible" that is collected through base rates). PURA has implemented a higher per-storm threshold than the MDPU ($4 million versus $1.3 million), allowing for recovery of all costs (including the $4 million) once the threshold is reached. Thus, the only real difference is that there are two storm deductibles in MA (i.e., storms # 7 and #8) that the Company does not recover, totaling $2.6 million. All other costs are recoverable, including pre-staging regardless of whether the storm materializes.

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Amount Fixed in Base Rates for Non-Catastrophic and Non-Prestaging Storm Costs	NSTAR includes $7.8 million annually in base distribution rates to recover a representative level of the Storm Fund threshold that occurs each year ($1.3 million cost-per-storm threshold amount multiplied by six Storm Fund eligible storms per year). The six eligible events represent the average number of storm-fund-eligible events from 2017 through 2020).	CL&P has proposed to include $38 million in the Rate Year annually to cover Non-Catastrophic and Non-Pre-Staging storms costs, assuming a $5.4 million threshold.	Because the Massachusetts Storm Fund threshold is lower ($1.3 million), this design should, in theory, result in a greater proportion of storm costs being recovered through the Storm Fund, allowing the amount of Non-Catastrophic and Non-Prestaging storm costs fixed in base rates to be set lower. For Connecticut, the Company calibrated its proposal to strike an appropriate balance between recovery through rates and recovery through the Storm Reserve.

Storm Fund Contributions through Base Rates	In aggregate, NSTAR collects $31 million per year in annual base distribution rate contributions to the Storm Fund. In approving the $31 million, the DPU considered the number of storms that occurred between the Company's 2017 rate case and the end of the test year in D.P.U. 22-22 (12/31/20); the incremental cost of these storms; the number of storms with incremental O&M costs that were so extraordinarily high that they should be deemed statistical outliers; and the number of storms that would not have been eligible for storm fund recovery had the $1.3 million storm-fund-eligible threshold been in effect.	The Company is proposing that the annual customer contribution to the catastrophic storm reserve be set at $60 million in base rates. The Company proposes that the annual customer contribution to the pre-staging reserve be set at $4 million in base rates.	Storm fund design involves tradeoffs between funding recovery for Non-Catastrophic and Non-Prestaging and the threshold for accessing the reserve fund. As discussed in the Company's response to OCC-521, the Company's average annual catastrophic storm activity is approximately $151.5 million (Exhibit CLP-REVREQ-2, WP C-3.26, lines 27 through 35). However, the Company proposes to maintain catastrophic storm funding at approximately the same level as is currently in base rates, recognizing that annual activity is variable and difficult to predict. This approach is designed to mitigate customer bill impacts amid the myriad factors that are putting upward pressure on costs. The Company presented its proposal for pre-staging event reserve accrual in Exhibit CLP-REVREQ-1, pages 107-108. The testimony calculated an average annual prestaging event expense of $4.097 million (Exhibit CLP-REVREQ-2, WP C-3.27, lines 27 through 35), based on actual pre-staging event

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			costs at $4.229 million in 2021, $6.350 million in 2022, $6.183 million in 2023, $0 in 2024, and $3.723 million in 2025 (using Gross Domestic Product – Price Index ("GDP-PI") to escalate costs to the Rate Year amounts). This average annual expense of $4.097 million supports the Company's proposed adjustment, increasing annual base distribution funding for pre-staging events from $3 million to $4 million.

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Symmetrical Cap on Storm Fund	There is a symmetrical cap of $30 million on the Storm Fund balance that triggers either a customer refund for an over-recovery balance that exceeds the cap, or a customer charge for an under-recovery balance that exceeds the cap. The symmetrical cap of $30 million on the Storm Fund balance minimizes the potential for frequent rate changes (either positive or negative), realigns the risks associated with storm cost recovery to protect customers. NSTAR would only implement a rate change to the Storm Reserve Adjustment Mechanism ("SRAM") if the Storm Fund is in a surplus or deficit of $30 million.	N/A	The symmetrical cap has never been triggered in Massachusetts. CL&P has not proposed a symmetrical cap because the proposed annual review process is designed to prevent the accumulation of significant storm cost balances, thereby reducing the need for balancing and mitigation mechanisms such as a deductible, a symmetrical cap, or an exogenous storm component. Instead of a hard cap, the Company is proposing in Connecticut to implement flexible rate changes based on the funded status, rather than establishing fixed points at which rates would change, or establishing a pre-determined amortization period.

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Exogenous Storms	Any single storm event that exceeds $30 million in incremental costs is excluded from Storm Fund eligibility. These costs can be recovered through the exogenous cost provision of the Performance-based Ratemaking ("PBR") mechanism annual adjustment or deferred to NSTAR's next base distribution rate case. NSTAR may seek cost recovery through the exogenous cost provision of the PBR (pending a prudence review) provided that the combination of any single storm in excess of $30 million and the balance of the Storm Fund exceeds $75.0 million. The DPU has expressed a preference that costs incurred in preparing for and responding to an exogenous storm event be recovered through the Storm Cost Adjustment Recovery Factor ("SCRAF")	N/A	CL&P has not proposed an exogenous storm component because its proposed annual review process is intended to prevent the accumulation of significant balances, thereby reducing the need for balancing mechanisms such as a deductible, a symmetrical cap, or an exogenous storm component.

Carrying Charges	NSTAR accrues carrying charges at the Prime rate for Storm Fund-eligible events, with recovery to begin at the time that the costs are incurred. Carrying charges accrue on the net balance of storm costs, offset by reserve funding in rates (meaning that if the Company is in a net-under recovery position, carrying costs will accrue on the net balance of storm costs offset by the balance of storm funding). This applies to both exogenous (storms that exceed $30 million in costs recovered through the SCRAF) and non-exogenous (exceeding $1.3 million but less than $30 million in costs) storm events. For exogenous events (storms in excess of $30 million), the DPU determines the propriety of recovering carrying charges when the Company files for storm cost recovery. If costs are ultimately deemed to be imprudent, the carrying costs accrued on these amounts are refunded to customers.	CL&P proposes to accrue carrying charges at the Prime rate for Storm Reserve-eligible events on the net balance of storm costs, offset by reserve funding in rates, identical to the operation of the Massachusetts mechanism.	CL&P's proposal is aligned with the Massachusetts approach, apart from the fact that the Massachusetts design features both exogenous and non-exogenous events to which carrying costs may apply. As discussed in the Company's response to OCC-522, in establishing a going-forward framework for storm cost recovery, the Company agrees that it would be within PURA's discretion to strike a balance between the Company's costs of financing storm costs while ensuring that the Company is not 'profiting' on a force majeure event like a storm. This is the Company's experience in Massachusetts, where the DPU has authorized a carrying charge rate that is different from and generally less than the Company's WACC, but that still recognizes that the Company is using its longer-term capital resources to finance storm costs (not its shorter term commercial paper source of liquidity). Thus, should PURA implement the SCRAF, which provides for more timely review and

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			recovery of storm and pre-staging costs, the Company would accept the Prime rate from the date of cost incurrence, applied to the net balance of the storm fund and pre-staging reserve fund for storms occurring after March, 2025. For storms occurring after 2023 but prior to March, 2025, the Company has requested to apply the WACC as part of this pending proceeding.
Pre-Staging Costs	The Massachusetts Storm Fund does not separately provide for recovery of pre-staging costs, nor does it need to because the threshold to access the Storm Fund is lower ($1.3M) and the amounts below the threshold are covered in base rates.	The Company is proposing to establish a level of pre-staging reserve funding in base rates at $4 million per year. Pre-staging events would continue to be defined as events in which the Company has notified PURA of its intent to pre-stage for an expected weather event, but where that event does not materialize into a catastrophic storm (i.e., total incremental costs do not exceed $5.4 million).	CL&P's proposal aligns with PURA's directive to "aggressively pursue pre-staging resources to ensure that sufficient crews are available to respond to restoration events within 48 hours of a potential catastrophic storm." Decision, April 28, 2021, Docket No. 20-08-03, Investigation into Electric Distribution Companies' Preparation for and Response to Tropical Storm Isaias at 40.

Reporting	No later than 6 months after the occurrence of a Storm Fund qualifying event, NSTAR must submit a preliminary report providing: (1) a detailed explanation of the storm event; (2) a detailed summary of costs broken-down by cost category; (3) the amount of carrying costs incurred; and (4) a detailed summary of anticipated additional costs to be incurred or finalized, including an estimated timeframe for the receipt of outstanding cost information or final cost accounting. Thereafter, NSTAR must provide a quarterly update on the status of finalizing the accounting of storm costs. DPU's expects NSTAR to petition for recovery of storm costs, including complete and final documentation and supporting testimony, as soon as practicable after finalizing the storm costs, and no later than 6 months after such costs are finalized. If NSTAR cannot make the filing within the 6-month timeframe, it must file a petition for storm cost recovery as soon as such information (i.e., the complete cost documentation) is complete.	CL&P proposes an annual filing on September 1st, including the storm costs incurred for the prior calendar year and all supporting documentation. PURA would conduct a contested proceeding to evaluate the prudence of all incremental catastrophic storm and pre-staging costs, the accumulated reserve balances and the potential need for a SCRAF rate change to begin recovery of prudently incurred costs. CL&P proposes to implement any rate changes on September 1st of the following year, aligning with the Company's RAM Phase II rate changes on the same day.	CL&P's proposal and the Massachusetts model are aligned in terms of the requirement for a prudence review conducted by the respective agencies. The key difference is the frequency of that prudence review. CL&P is proposing a more frequent and predictable review process, that would occur annually and is intended to avoid the accumulation of significant balances of catastrophic storm and pre-staging costs.

SCRAF	The SCRAF is a reconciling mechanism to adjust rates to recover certain storm-related costs, including: (a) exogenous storm costs incurred on or after February 1, 2018 when the combination of any single storm exceeds $30 million and the balance in the Storm Fund exceeds $75 million and not otherwise recoverable through the Company's SRAM, (b) the outstanding Storm Fund balance for costs attributable to emergency response occurring from February 1, 2018 through December 31, 2022, including the recovery of Storm Fund-eligible event thresholds as approved by the Department and (c) any prior period balances associated with storm costs approved for recovery by the DPU. The SCRAF is a per kilowatt-hour factor applicable to all electricity delivered by the Company to its customers under its Distribution Service tariffs. Exogenous storm costs recovered through the SCRAF are amortized over five years plus carrying charges from the date the Company is billed at the prime rate.	The SCRAF is a reconciling mechanism to adjust rates to recover (a) any prior period balances associated with catastrophic storm and pre-staging costs found prudent and approved for recovery by the PURA; (b) any storm costs that are not securitized in Docket No. 25-12-13; and (c) the net balance associated with the 14 storms and pre-staging events that occurred during 2024 and in February and March, 2025. Like Massachusetts, the SCRAF is a per kilowatt-hour factor applicable to all electricity delivered by the Company to its customers under its Distribution Service tariffs. CL&P recommends that PURA should not impose a strict period over which over- or under-recoveries will be collected or refunded, but rather identify the appropriate time period based on the facts and circumstances at the time of the proposed rate change. CL&P proposes a range of	As discussed in the Company's response to OCC-521, ideally base distribution rates would be set to recover the exact amount of storm costs incurred each year, however, because the frequency of storms and magnitude of the impact is indeterminate, storm costs are not susceptible to recovery solely through base rates. Thus, base rate funding paired with the Company's proposed SCRAF aims to mitigate customer bill impacts amid the myriad factors described in the Company's application and more broadly throughout the Company's application that are putting upward pressure on the cost of service and customers' bills. The function of CL&P's proposed SCRAF is fundamentally the same as Massachusetts: a reconciling mechanism to adjust rates to recover any prior period balances. For Connecticut, CL&P is proposing additional flexibility, a flexible SCRAF that will allow PURA to adopt periods

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		amortizations for prudent catastrophic storm and pre-staging events should be considered -- from one to five years. This would allow PURA to evaluate the unique circumstances at the time of a proposed rate change to balance the interests of customers and the Company.	over which over- or under-recoveries will be collected or refunded, based on the specific facts and circumstances at the time of the proposed rate change.

b. The Major Storm Cost Reserve ("MSCR") in New Hampshire was first established in Docket No. DE 99-099. The Company is allowed to defer costs attributable to qualifying major storm events. Under the terms of the MSCR, a qualifying major storm event is defined as a storm that results in either (1) 10 percent or more of the Company's retail customers being without power in conjunction with more than 200 reported troubles; or (2) more than 300 reported troubles during the major storm event. Docket No. DE 12-320, Order No. 25,465, at 1 (2013). The MSCR was amended in Docket No. DE 12-320 to allow for recovery of qualifying pre-staging costs. Pursuant to the criteria established in Docket No. DE 12-320, pre-staging costs can be recovered through the MSCR if the weather event has a "high" (greater than 60% based on the forecast) probability of reaching "Level 3" or stronger, according to the DTN's Energy Event Index (EEI). Docket No. DE 12-320, Order No. 25,465, at 4 (2013). A copy of Order No. 25,465 is provided as OCC-905, Attachment 1.

Public Service Company of New Hampshire ("PSNH") accrues a carrying charge on deferred storm costs at a stipulated rate. Docket No. DE 14-238, Settlement Agreement, Page 15, Section F Storm Funding. The annual funding for the MSCR was most recently updated in Docket No. DE 24-070 to allow the Company to collect $19 million in base rates on an annual basis. Docket No. DE 24-070, Order No. 28,170 (July 25, 2025), at 68. A copy of Order No. 28,170 is provided as OCC-905, Attachment 2.

The Company's Regulatory Reconciliation Adjustment (RRA) rate mechanism is the vehicle for the amortization of major Storm Costs in excess of the amount approved in base rates (through the MSCR), if approved by the New Hampshire Commission in a Storm Cost review proceeding. Docket No. DE 24-070, Order No. 28,170 (July 25, 2025), at 60-61. The Company's current electric delivery tariff (NHPUC NO. 11) is provided as OCC-905, Attachment 4. On page 22, the tariff specifies that RRA reconciles unrecovered storm costs in excess of the Major Storm Cost Reserve per Order No. 28,170 in DE 24-070.

A key distinction between the recovery mechanisms is the threshold for accessing catastrophic storm cost deferral treatment. In this proceeding, the Company proposes a $5.4 million cost threshold, whereas New Hampshire uses a threshold based on the number of reported troubles for major storms and the probability of the storm reaching "Level 3" or higher for prestaging events.

CL&P has not proposed to use trouble spots as the threshold for reserve access because, while the number of troubles is an informative data point, it does not reliably indicate the required response or the associated costs. Two storms with the same number of trouble spots can demand vastly different resources. For example, a trouble might be a (1) broken pole or (2) a tree limb on a line. Both of those trouble spots count equally, yet a broken pole typically requires multiple crews, equipment, and extended restoration time, whereas a tree limb may need only a single crew and minimal time. As such, the number of trouble spots, by itself, does not necessarily reflect the scale or cost of the response needed.

To further illustrate, a broken pole can require up to 12 hours to set and requires a tree crew, line crew, delivery of a new pole, digging the hole, setting the pole, installing equipment on the pole, transferring the power lines and any attachments to the new pole, and then restoring service. Frequently, such events also damage adjacent wires, poles, and equipment, further extending the restoration time. By comparison, a trouble caused by a limb on a line usually requires just one line crew, who can remove the limb, patrol the line for any additional damage, and restore service within one to two hours. Despite these significant differences in resources and time, both scenarios are counted as a single trouble event. This disparity underscores why a cost threshold provides a more accurate measure for deferral treatment eligibility than simply counting trouble spots.

For pre-staging events, the Company proposes to define these as events as situations where PURA is notified of the Company's intent to pre-stage for an anticipated weather event, but the event ultimately does not materialize into a catastrophic storm (i.e., total incremental costs remain below $5.4 million). The Company does not recommend adopting New Hampshire's probability-based measure, because it does not offer a clearer or more objective threshold than the cost-based approach proposed here. The central goal of pre-staging is to minimize outages and protect public safety. PURA has directed CL&P to "aggressively pursue pre-staging resources to ensure that sufficient crews are available to respond to restoration events within 48 hours of a potential catastrophic storm." Decision, April 28, 2021, Docket No. 20-08-03, Investigation into Electric Distribution Companies' Preparation for and Response to Tropical Storm Isaias at 40. The Company's pre-staging proposal is designed to comply with this directive.