STATE OF NEW HAMPSHIRE
PUBLIC UTILITIES COMMISSION

DE 24-070

PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE d/b/a EVERSOURCE ENERGY

Request for Change in Distribution Rates

Order Establishing Permanent Rates and Alternative Regulation Through July 31, 2029

O R D E R N O. 28,170

July 25, 2025

The Commission approves an 8.2 percent increase to current distribution rates, and a total bill increase of 2.5 percent by approving, in part, the petition of Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) for permanent increases to its distribution rates across all customer classes. As discussed below, based on argument and evidence presented to the Commission by the New Hampshire Department of Energy (DOE), the New Hampshire Office of the Consumer Advocate (OCA), the American Association of Retired Persons (AARP), the Conservation Law Foundation (CLF), Ms. Mary Ellen O'Brien Kramer, and Walmart, Inc., the Commission declines to approve the Company's performance-based ratemaking (PBR) proposal as petitioned. Instead, the Commission authorizes the Company to set its annual distribution rates using the alternative regulation established herein. The approved increase described above includes both the permanent rate increase component, based on test-year 2023 data submitted by the Company, and the operation of the embedded alternative regulation rate component through 2025, to take effect August 1, 2025.

For the duration of this order the Company is authorized to establish its annual revenue requirements for each of the 12-month periods beginning August 1, 2026, August 1, 2027, and August 1, 2028, using the following calculations:

Distribution Revenue Requirement

$$DRR_t = DRR_{t-1} * AIA_{FYP} + Z_t - ESM_{FYP}$$

Where:

DRR_t = ***Distribution Revenue Requirement*** for the 12-month period beginning August 1st of each year. First DRR_t begins August 1, 2026.

DRR_{t-1} = approved ***Distribution Revenue Requirement*** in the prior 12-month period, beginning with $519 million for the 12-month cast-off period beginning August 1, 2025.

$AIA_{FYP} = (1 + I_{FYP} - X - CD_{FYP})$

I_{FYP} = Full Year Prior US Gross Domestic Product Price Index (GDP-PI), beginning with the full year of 2025 as compared to full year 2024[1]. Must be between zero and 5%.

X = Productivity Factor[2], fixed at -0.0142 (-1.42%).

CD_{FYP} = Consumer Dividend, fixed at 0.0015 (0.15%) if I_{FYP} exceeds 2%.

Z_t = exogenous cost adjustment[3], threshold of $1.5m.

ESM_{FYP} = Earnings Sharing Adjustment[4] where customers receive 75% of the company's ROE exceeding 9.75%. The first ESM_{FYP} is the 12-month period beginning August 1, 2026 using the company's full year 2025 ROE.

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[1] GDP-PI inflation is the percentage difference of the 4 quarter simple average for the full year prior and full year prior-1 time periods ((FYP)-(FYP-1))/(FYP-1), as published by The Bureau of Economic Analysis in April of current year (t) for effect for the 12 month period beginning August 1, with the first implementation beginning August 1, 2026.

[2] This represents an industry wide productivity factor that accounts for the special properties of electric utilities at this time.

[3] Specific cost changes from state or federal governments, regulatory cost reassignments, or changes in accounting rules. It is the only factor that can be forward looking (time t) since changes of this sort can be known and measurable prospectively.

[4] The ESM credits customers with a 75% share of ROE beyond a 25-basis point threshold (.25%) on the authorized ROE (9.5%). Thus, Eversource will return 75% of ROE in excess of 9.75%. The ROE is calculated with the full year prior, with the first opportunity for a return beginning August 1, 2026, based on the full year prior 2025. The impact of this adjustment would be excluded in calculating the subsequent year's return, in effect, this is an annual one-time adjustment each year if the Company's ROE exceeds 9.75%.

Operating Revenue Requirement

$$ORR_t = DRR_t + OR_{FYP}$$

Where:

ORR_t = total ***Operating Revenue Requirement*** for the 12-month period beginning August 1st of each year. First ORR_t begins August 1, 2026.

DRR_t = ***Distribution Revenue Requirement*** for the 12-month period beginning August 1st of each year. First DRR_t begins August 1, 2026.

OR_{FYP} = ***Other Revenue*** as defined by the Company; sales for resale, provision for rate refunds, late payment charges, miscellaneous service revenues, rent from electric property, other electric revenue, revenues – transmission of electric others, based on the full year prior. First ORFYP begins August 1, 2026 and is based on 2025 actuals.

We note that the Distribution Revenue Requirement[5] is the customer perspective and is used to calculate customers' *distribution rates.* The Operating Revenue Requirement is the Company perspective, and is used to calculate the *Company's returns*; rate-of-return, return on rate base, weighted average cost of capital, return on equity, return on debts, etc.

The Commission's alternative regulation is grounded in the familiar ratemaking principles of simplicity, gradualism, and real cost control.

This alternative regulation approach implements the axiom of simplicity by combining many components previously handled in numerous and complex Commission proceedings with a single revenue requirement adjusted annually, with only stranded costs (SCRC), a temporary annual recovery mechanism (RRA), and major storm recovery outside of the Distribution Revenue Requirement. We further simplified by declining to approve the Company's novel and complex "K-Bar" approach

[5] At certain points in this Order, references are made to "base rates," which refers to this Distribution Revenue Requirement.

to establishing its revenue requirement. Instead, our order institutes a simple 1.42% productivity factor to provide the Company with the revenue necessary to run its business in line with similar electric distribution utilities.

This alternative regulation approach improves gradualism and reduces revenue lag by moving away from the traditional cost-of-service ratemaking which has historically resulted in large rate increases for each rate case. Using alternative regulation, the Company receives an annual inflation increase for capital and overhead so that periodic rate case adjustments are smoother and more gradual.

Critically, real cost control is also embedded in this alternative regulation approach by requiring the Company to meet aggressive capital and overhead targets to keep the alternative regulation synchronized with actual spending and resulting in a streamlined process where costs are only reviewed if spending is more than target, avoiding long, detailed, and arduous annual spending reviews.

Using alternative regulation, the Company shall file a new distribution rate case in June 2029, using 2028 as its test year, where any capital or overhead not yet reviewed in the interim would be analyzed.

Should the Company object to the alternative regulation authorized by this order, its distribution rates will instead be set using traditional cost-of-service ratemaking without step-increases. Permanent rates established through cost-of-service ratemaking will be subject to the Commission's rulings in this order, including decisions on the Company's rate base, categories of adjustments, debt-to-equity ratio, return on equity, weighted average cost of capital, carrying charges, fixed and variable rates, and all other matters decided by the Commission in this rate case.

I. BACKGROUND AND POSITIONS OF PARTIES

A. Overview of Eversource's Permanent Rate Petition; Eversource's Petition for Alternative Regulation; Temporary Rates Currently in Effect; Commission Testimonial and Hearing Process and Identity of Parties

On May 3, 2024, Eversource informed the Commission of its intent to seek an overall increase in annual distribution revenue of approximately $182 million plus a PBR increase of $35 million for a total of $217 million, based on a test year ending on December 31, 2023. *See* Hearing Exhibits 7, 8, and 9.

On June 11, 2024, Eversource filed petitions for temporary and permanent distribution rate increases, which included supporting written testimony and accounting schedules. Hearing Exhibits 7, 8, and 9. The Company's filing, which included nearly twenty thousand pages of material, including the pre-filed written testimony of Mr. Robert S. Coates, Jr., the Company's President of New Hampshire Electric Operations, and Mr. Douglas P. Horton, Vice President, Distribution Rates & Regulatory Requirements of Eversource's parent company and service company affiliate, along with the pre-filed direct testimonies and attachments of various of the Company's executives, personnel, and consultants, and proposed Tariff revisions associated with the Company's various rate case proposals. Hearing Exhibit 9.

According to the Company's filings, its requested distribution rate increase is due primarily to its capital investments in its distribution system since its last rate case, totaling approximately $686.1 million. Hearing Exhibit 9 at Bates Page 2313.

On June 28, 2024, the Commission issued an order of notice commencing this adjudicatory proceeding, scheduling hearings to review the Company's distribution rate proposal, and suspending the effective date of the Company's proposed tariff

pending the Commission's investigation per RSA 378:6, I(a).[6] *See* Order No. 27,029 (June 28, 2024).

Following a July 25, 2024 hearing on the settlement agreement on temporary rates made among the New Hampshire Department of Energy (DOE), the Office of the Consumer Advocate (OCA), and the Company, we entered an order approving a temporary distribution rate increase of $61,238,671 and authorizing future rate recoupment after permanent rates are established, per RSA 378:29. Order No. 27,041 at 5; *see* RSA 378:27, :28, and :29; *see also* Hearing Exhibits 1-5.

Due to the complexity of the Company's various distribution rate proposals, we ordered Commission-attended technical sessions where the Company was allowed to informally explain its distribution rate proposal more fully. Order No. 27,029, *passim*. Subsequently, the parties and intervenors engaged in discovery. *See, e.g.,* Hearing Exhibit 11. After a discovery period, the Company informed us that the parties and intervenors intended to litigate this matter before the Commission.

Beginning on May 6, 2025, and concluding on June 11, 2025, we held 11 days of hearings on the Company's petition. During that time, the Commission heard several days of witness testimony, and the presiding officer entered into evidence tens of thousands of pages of proffered documents, including hearing exhibits, written testimony, supporting schedules, and other materials supplied by the parties and intervenors throughout the pendency of this adjudicatory proceeding. After hearings concluded, we accepted written closing arguments from the Company, DOE, OCA,

[6] Order No. 27,029 initially specified a 12-month suspension period per RSA 378:6, I(a) until June 11, 2025. Upon further inquiry of the Commission, the Company provided written confirmation that Eversource could abide by an effective date of August 1, 2025, for its permanent rates, and consented to waive the June 11 decisional deadline, pending a July 25, 2025 order by the Commission. *See* Docket Tab #180.

AARP, CLF, Ms. Kramer, and Walmart, Inc., all of which were filed with the Commission timely.

The New Hampshire Administrative Procedure Act, RSA 541-A:35, states: "A final decision shall include findings of fact and conclusions of law, separately stated. Findings of fact, if set forth in statutory language, shall be accompanied by a concise and explicit statement of the underlying facts supporting the findings." Also, RSA 363:17-b states: "The Commission shall issue a final order on all matters presented to it…A final order shall include, but not be limited to: I. The identity of all parties; II. A decision on each issue including the reasoning behind the decision; and III. The concurrence or dissent of each commissioner participating in the decision."

In light of these requirements, the Commission will describe the positions of the parties to this proceeding to the extent necessary to explain our decisions and rulings. A summary of the procedural history is attached hereto as Appendix 1 and is incorporated herein by reference as if fully recited in this paragraph.

The identity of the parties to this proceeding are as follows: Eversource; the DOE; the OCA; AARP; Aleksandar Milosavljevic-Cook; Ms. Mary Ellen O'Brien Kramer; Clean Energy of New Hampshire; Community Power Coalition of New Hampshire; Conservation Law Foundation (CLF); the "Rate LG\Large Customer Consortium," comprised of Hancock Lumber Company, Inc., Monadnock Paper Mills, Inc., Pike Industries, Inc., and the University System of New Hampshire; the New England Connectivity and Telecommunications Association, Inc.; Standard Power of America; and Walmart, Inc. Also, from July 11, 2024 through June 11, 2025, inclusive, 260 written comments, made in opposition to Eversource's rate proposals, were filed with the Commission.

The public record in this case, which includes all nonconfidential docket filings, hearing exhibits, hearing transcripts, and public comments, is posted on the Commission's website at https://www.puc.nh.gov/VirtualFileRoom/Docket.aspx?DocketNumber=DE%2024-070.

During this proceeding, following input from the other parties, including the DOE, the Company undertook to make specific adjustments to its proposed rate base, capital additions, and Operations & Maintenance (O&M) calculations in its proposed rate case accounting, from its original June 2024 proposal, Hearing Exhibit 9, to the conclusion of hearings in this matter in June 2025; these updated calculations were presented by Eversource in Hearing Exhibit 42, and discussed by Eversource in its written closing argument, Docket Tab #284. Within its updated calculations, presented in Hearing Exhibit 42, Eversource proposed a rate base figure of $1,702,145,002 for the Company (Hearing Exhibit 42 at Bates Page 100). This figure excludes certain capital projects (Project ##A21N33, A22N30, A23NO4) that the Company voluntarily agreed to remove from its rate base request during hearings. Hearing Exhibit 42 at Bates Page 1. In its updated request, as presented in Hearing Exhibit 42, the Company presented a request for Commission approval of the prudent plant additions that are used and useful as of December 31, 2023, the test year, and requested Commission approval to increase the total plant in service for the Company to $2,757,097,411. Hearing Exhibit 42 at Bates Page 101. In reference to the DOE recommendations to exclude $51,669,598 from the rate base, discussed below, Eversource asserted that it prudently manages its capital processes, ensures that projects and programs are budgeted appropriately, and are executed with proper

oversight; therefore, making the Commission's approval of the Company's plant additions as proposed appropriate. Hearing Exhibit 9 at Bates Pages 2293-2308; Docket Tab #284 at 35-36. Eversource also presented explanations and supporting schedules for its updated O&M accounting, initially presented in Hearing Exhibit 9, Bates Pages 1546-1576, and as updated in Hearing Exhibit 42, Bates Pages 15-73, and requested Commission approval of the updated O&M accounting.

For depreciation, developing its proposal from Eversource's consultant, Mr. John Spanos, whose testimony was presented in the Company's original rate case filing, Hearing Exhibit 9 at Bates Pages 18,876 through 18,897, with supporting attached schedules, Hearing Exhibit 9 at Bates Pages 18,898 through 19,190, including Mr. Spano's Depreciation Study, *Id.*, the Company proposed depreciation rates that produced $91,666,445 in depreciation expense, which would increase the current depreciation expense by $4.1 million annually. *See* Hearing Exhibit 9 at Bates Pages 18,925; 18,880; and 18,886. In his Depreciation Study, for the first phase, Mr. Spanos estimated the average service life and survivor curve combination and the net salvage characteristics for each depreciable group or, more plainly, the plant account or subaccount identified as having similar characteristics. Hearing Exhibit 9 at Bates Page 18,886. For the second phase, Mr. Spanos calculated the composite remaining lives and annual depreciation accrual rates based on the service life and net salvage estimates determined in the first phase; Mr. Spanos calculated the annual depreciation accrual rates for the group based on the straight-line remaining life method, using remaining lives weighted consistent with the average service life procedure. Hearing Exhibit 9 at Bates Pages 18,886 through 18,889.

Eversource also presented an updated Lead-Lag Study to update and establish the net lag days used for cash working capital, through the written testimony and supporting attachments of Company executive Ms. Ashley Botelho. Hearing Exhibit 9, Bates Pages 1609-1612; 1743-1759. Cash working capital is the money the Company needs to fund operations between when expenditures are incurred to serve customers and when customers' payments for service are received. The Company's Lead-Lag Study produced an O&M net lag of 13.91 days or 3.81 percent, and a total retail revenue lag of 43.79 days. Hearing Exhibit 9 at Bates Pages 1610 and 1612. The Company requested that the Commission approve its Lead-Lag Study to calculate cash working capital.

For its proposed capital structure and Return on Equity (ROE)\Weighted Average Cost of Capital (WACC) proposals, the Company relied on the testimony of its consultant, Mr. Vincent Rea. Mr. Rea developed a recommendation, adopted by Eversource and presented to the Commission for its approval, for an ROE (cost of common equity) for the Company of 10.80 percent, based on a "reasonable range" of 10.30 to 11.30 percent. Mr. Rea developed his cost of equity recommendation by referring to the Discounted Cash Flow model approach, a Capital Asset Pricing Model, an Empirical Capital Asset Pricing Model, and a Risk Premium Model. The Company stated that it elected to seek an ROE of 10.30 percent, elaborating that "…the Company has elected to propose a cost of equity in this proceeding of 10.30 percent, which falls at the lower-end of the range of reasonableness…[t]he Company's proposed ROE in this proceeding represents a conservative estimate of its cost of equity in the current capital markets environment, and should, therefore, be approved by the

Commission." Docket Tab #284 at 39; Hearing Exhibit 9 at Bates Pages 19,350; 19,363; 19,375; 19,389 through 19,390.

Mr. Rea also evaluated the reasonableness of the Company's proposed capital structure by comparing it to the capital structure ratios of the "electric utility proxy group," comprised of a group of publicly traded utility companies with risk characteristics similar to the Company, based on permanent capitalization, which excludes short-term debt. Hearing Exhibit 9, Bates Page 19,386. On this basis, the Company proposed a rate-setting capital structure consisting of 53.85 percent common equity and 46.15 percent long-term debt, which produces a WACC figure of 7.44 percent applied to the Company's proposed rate case accounting. Hearing Exhibit 9, at Bates Pages 19,385 through 19,386; 19,303.

With these proposed parameters and adjustments, the Company requested Commission approval of an updated revenue requirement calculation of $102,786,554, for rates effective August 1, 2025. The Company stated that, consistent with established practices, Eversource adjusted the test year revenue based on known and measurable operating revenue changes. The computation of the revenue deficiency began with the actual revenues earned in the test year (2023); the Company then presented test year revenue per its books; an adjustment to remove revenues associated with reconciling mechanisms; adjustments to account for other revenues; and pro forma adjustments related to known and measurable increases to rental agreements. Hearing Exhibit 9, Bates Page 1541; Hearing Exhibit 42 at Bates Page 6.

The above components of the Company's proposal relate to the backward-looking setting of rates based on accounting and other data developed during the test-year period, 2023, with some application of updated information. For the alternative

regulation rate proposal, the Company sought approval under the terms of RSA 374:3-a, the Alternative Regulation statute, and N.H. Code Admin. R. Puc Part 206, the Commission's Alternative Regulation rules. Eversource endeavored to establish a framework in which alternative regulation would guide the Company's financial operations for at least the next four years, through 2029. The Company's alternative regulation\PBR proposal, including its proposed alternative regulation formula discussed below, was developed by Company personnel with input from Eversource's consultants, Mr. Mark Kolesar and Dr. Agustin Ros. Docket Tab #284 at 21, which, the Company stated, "performed in-depth economic research and analysis supporting the Company's proposed [alternative regulation] formula." *Id.*; Hearing Exhibit 9 at Bates Pages 1772-1797; 1803-1848; 1860-1911.

Eversource stated that its proposed alternative regulation plan is designed to adjust its distribution rates based on a predetermined formula, reproduced below:

Equation 1: Distribution Revenue Requirement Calculation Under Eversource's Performance-Based Ratemaking Proposal.

$$Rev\ Requirement_t = (Rev\ Requirement_{t-1}\ x\ (1 + I_t - X - CD)) + Z_t + K_t + ESM_t$$

Where:
Rev Requirement$_t$ = the revenue requirement in the 1 current (forecast) period
Rev Requirement$_{t-1}$ = the approved revenue requirement in the prior period
I = GDP-PI and must be non-negative and may not exceed 5 percent
X = Zero
CD = 0.15 when I exceeds 2 percent
Z = an exogenous cost adjustment
K = a capital revenue adjustment
ESM = an earnings sharing adjustment

Eversource stated, in the testimony of Mr. Kolesar, Dr. Ros, and elsewhere, that its proposed alternative regulation formula is based on established alternative

regulation plans extant in other jurisdictions. For the *I* minus *X* component of the alternative regulation formula, the Company stated that *"I"* represents a measure of economy-wide output inflation, *i.e.*, the Gross Domestic Product - Price Index, or "GDP-PI" as measured by the U.S. Commerce Department, and *"X"* represents a measure of expected industry-wise productivity, as devised by a Total Factor Productivity study. In the context of this rate case, Dr. Ros, on behalf of the Company, analyzed U.S. electric distribution Total Factor productivity and input price growth over the 2000-2022 period, in order to derive the "X" factor. Hearing Exhibit 9, Bates Pages 1807-1808. Dr. Ros applied a sample of 87 companies that were deemed representative of the electric distribution industry, and comparable figures for economy-wide Total Factor Productivity and input price growth obtained from official U.S. government sources. *Id.* Dr. Ros thereby derived an "X" factor of negative 1.42; however, as part of its proposal, the Company 'voluntarily adopted' an "X" factor of zero, which, the Company asserted, 'would require the Company to achieve significantly greater efficiency gains than would result if the X factor were set to negative 1.42,' *see* Hearing Exhibit 9, Bates Page 1790; Hearing Exhibit 11, Bates Page 6717. Dr. Ros' analysis elaborated on the significance of the negative X factor, as a means of simulating the economic conditions faced by the electric industry at large, such as flat sales volumes paired with changing technology and the ongoing need to replace obsolescent plant. Hearing Exhibit 9 at Bates Pages 1789-1790.

For the "I" component discussed above, the Company stated that for each alternative regulation rate year, the GDP-PI would be calculated as the average annual percentage change of the most recent four quarterly measures of the GDP-PI for the prior full calendar year. In addition, the Company proposed an inflation floor of zero

percent as part of the alternative regulation scheme, although it is unlikely that inflation will fall below zero; and to protect customers in the event of significant inflation, the Company proposed to cap the "I" factor at 5 percent. Hearing Exhibit 9 at Bates Pages 1393-1394; 1789.

For the "CD" factor identified in the alternative regulation formula above, this is the "Consumer Dividend" component, also described by Eversource as the "Stretch Factor." This Consumer Dividend component, triggered where inflation exceeds 2 percent, would be 15 basis points (0.15%). According to the Company, the Consumer Dividend component acts as a commitment by the Company to share a certain amount of expected incremental performance gains with customers in each year of the alternative regulation plan, even if the Company does not achieve performance gains, "and reduces the value of the X factor so the consumer dividend leads to lower rate adjustments for customers." Docket Tab #289 at 23.

Further features of the Company's proposed alternative regulation formula include a "Z Factor" to account for "exogenous events," which would be included by the Company in a request for "exogenous cost recovery" in its annual alternative regulation compliance filing, would meet a threshold of $1.5 million in 2025, and would be adjusted for inflation every year thereafter. Hearing Exhibit 9, Bates Page 1793. Eversource presented an "Earnings Sharing Mechanism" (ESM) as part of its alternative regulation formula, wherein sharing with customers on a 75%/25% basis would be triggered if the Company's computed ROE were to exceed 25 basis points (0.25 percent) above the ROE authorized by the Commission in this rate case. Hearing Exhibit 9, Bates Pages 1408, 1794. The portion shared with customers will be credited in the succeeding alternative regulation rate year, and the impact of this prior-year

adjustment will be excluded in calculating the subsequent year's earnings share. Hearing Exhibit 9, Bates Pages 1408-1409.

In addition to these features, the Company proposed a variable described as "K-Bar," which, according to the Company, is intended to provide "supplemental revenue" to support "necessary infrastructure investments over and above the I-X price-cap formula." Hearing Exhibit 9, Bates Pages 1394-1395. (The Company provided lengthy descriptions of "K-Bar" in its responses to Commission Record Requests 1 and 7).

In justifying its request for an alternative regulation framework, including the embedded formula, the Company pointed to its proposed alternative regulation approach as prospectively providing the best way to address the capital needs of the Company's distribution system, as outlined in the testimony of Eversource's personnel. Hearing Exhibit 9, Bates Pages 1357-1374; 1962-1967; 1991-2003; 2222-2237. The Company also pointed to its "Distribution Solutions Plan," Hearing Exhibit 9, Bates Pages 2013-2207, as further justification for its alternative regulation approach. The Company further stated that "[t]he annual K-bar revenue adjustment within the [alternative regulation] plan provides a measure of revenue support within the [alternative regulation] formula that serves as a substitute for a capital-cost recovery mechanism or step adjustments that adjust rate base, to create administrative efficiency that simultaneously incentivizes cost controls…[t]he [alternative regulation] plan not only creates a four-year stay-out period (with a possibility of an extension), but it would also eliminate step adjustments during that period – there would be no distribution rate proceedings until the end of the [alternative regulation] term." Hearing Exhibit 9, Bates Pages 1375; 1380-1384; 1428-1430; 1812; Hearing Exhibit 10, Bates Pages 13; 16-18; 22; 33-34; 1012). As a

condition to be bound upon the Company if the Commission approves its alternative regulation proposals, the Company agreed not to file its next distribution rate case until 2029.

As part of its proposed alternative regulation framework, the Company proposed the application of a series of performance metrics to monitor the Company's progress, specifically: the System Average Interruption Duration Index (SAIDI), which is calculated as the System Average Interruption Frequency Index (SAIFI) multiplied by the Customer Average Interruption Index, which relate to customer power outages; Months Between Interruption (MBI), which measures the number of months between when an average customer could expect to experience a sustained power interruption; and a series of Customer Satisfaction indices. Hearing Exhibit 9 at Bates Pages 1925-1946.

As part of its rate case filing, Hearing Exhibit 9, the Company presented a "Distribution Solutions Plan," *Id.* at Bates Pages 2013 to 2207, with the accompanying testimony of its executives Mr. Lavelle Freeman, Ms. Jennifer Schilling, Ms. Elli Ntakou, Mr. Gerhard Walker, and Mr. Paul Renaud, *Id.* at Bates Pages 1949 to 2012, presenting the Company's internal planning approaches to improving system reliability throughout its several planning regions.

Through the Company's executive, Mr. Horton, and his colleagues, the Company provided updates to its expected capital investment budgets to be subject to the proposed alternative regulation framework, the most up-to-date being presented in Attachment RR-006(b) (REVISED), Page 12, in response to the Commission's Record Request 6. Mr. Horton confirmed, *see* 5/6/2025 Hearing Transcript (Tr.) at 218-219, and the Company elucidated in its Closing Argument, that "In its initial filing the

Company also proposed to explore and, if appropriate projects were identified, implement company-owned solar and co-optimization projects during the alternative regulation term (Hearing Exhibit 9, Bates Pages 2009-2011). The Company is not seeking approval for either Company-owned solar or co-optimization projects. The Commission will review any Company-owned solar project proposal or co-optimization project in separate proceedings. If approved by the Commission, the Company suggests that the costs of any Company-owned solar or co-optimization project be reflected in the K-bar once a project is complete and found to be used and useful. *See* Docket Tab #289 at 44.

B. Other Parties' Responses to Eversource's Proposals; Company Rebuttals

Of the various other parties to this proceeding, AARP (Hearing Exhibits 31 and 32); Ms. Mary Ellen O'Brien Kramer (Hearing Exhibit 33); Walmart, Inc. (Hearing Exhibit 34); the DOE (Hearing Exhibits 14 through 21; 40-41); and the OCA (Hearing Exhibits 22-27) filed written testimony. In turn, after the Commission invited all parties to file closing statements summarizing their arguments following our hearings, CLF (Docket Tab #280), AARP (Docket Tab #281), Walmart, Inc. (Docket Tab #282), the OCA (Docket Tab #283), Ms. Kramer (Docket Tab #284), and the DOE (Docket Tab #286), responded and filed such Closing Statements, in advance of the Company filing its own Closing Statement.

In the Commission Analysis section below, the Commission will address the arguments and counterarguments of the Company and the other parties, as needed, in our findings of fact and application of law.

The Company's responses to the positions of the various parties can be found in the Company's written Closing Argument, Docket Tab #289, and in its Rebuttal Testimony, Hearings Exhibit 10.

The parties and intervenors rejected the Company's stated need for alternative ratemaking, with the partial exception of CLF, which recommended a "stakeholder process" to evaluate the mechanism and develop appropriate performance metrics. The DOE and the OCA advocated for significantly lower ROE: the OCA recommended an 8.13 percent ROE, while the DOE recommended 9.50 percent ROE. The OCA, AARP, and Ms. Kramer all advocated for a lower fixed customer charge than that proposed by the Company (as discussed below). Furthermore, in the testimonial presentations of its witnesses, including the DOE's consultant, Ms. Donna Mullinax, *see e.g.,* Hearing Exhibit 41, the DOE recommended a series of Adjustments to reflect recommended disallowances to the Company's rate-base and O&M accounting, as discussed below.

II. COMMISSION ANALYSIS

A. Partial Adoption of DOE Recommendations re: Permanent Rates

For the various reasons delineated below, the Commission has determined to adopt some aspects of the DOE's recommendations related to adjustments for the Company's proposals regarding rate base, O&M expense, ROE, and Eversource's capital ratio. The Commission carefully considered all the parties' inputs, but applied the DOE's methodology. Notably, the analysis in this section includes the final Eversource permanent rate request of $102.8 million, originally $182 million, and does not include the $35 million PBR request.

1. Disposition of DOE-Recommended Adjustments to Rate Base, O&M

For the test year 2023, the Company first seeks a rate increase using the traditional cost-of-service ratemaking structure, on which the alternative ratemaking structure would then build for rate adjustments in the future. In evaluating the Company's proposals, related to the inclusion of capital investments in rate base and expenses in O&M accounting, the Commission must balance the Company's commercial interests against those of its customers in paying the lowest reasonable cost for distribution service. *See* RSA 363:17-a. Aside from this imperative, the standards for determining the Company's rate base and O&M expenses for inclusion in distribution rates are flexible, subject to pragmatic adjustment[7]. *Appeal of Conservation Law Foundation of New England, Inc.*, 27 N.H. 606, 636-639 (1986), *citing Power Comm'n v. Hope Gas Co.*, 320 U.S. 591, 602 (1944) ('*Hope*'); *Bluefield Co. v. Pub. Serv. Comm.*, 262 U.S. 679, 690-691 (1923) ('*Bluefield*'); New Eng. Tel. & Tel. Co. v. State, 98 N.H. 211, 219 (1953) (other citations omitted). RSA 378:28 establishes that "[t]he [C]ommission shall not include in permanent rates any return on any plant, equipment, or capital improvement which has not first been found by the [C]ommission to be prudent, used, and useful." RSA 378:28. The New Hampshire

[7] The New Hampshire Supreme Court has held: "To summarize the results of the ratemaking process that we have considered significant for this case, we may say that in a proceeding to set rates the [C]ommission must set a reasonable rate of return to be allowed on cost-less-depreciation of used and useful property, provided that cost may not include anything imprudently wasteful. The determinations of reasonable rate of return, prudence, and usefulness alike require the exercise of judgment and discretion in determining the recognition that is appropriately due to the competing interests of the [C]ompany and its investors and of the customers who must pay the rates to provide the revenue permitted. It should now be apparent that a rate or structure of rates charged to customers is reasonable within the meaning of the statute [RSA 378:28] when it will produce an amount of revenue that has been determined, and limited, by balancing or relatively weighing investor and customer interests. The [C]ommission must exercise its judgment in balancing those interests when it determines the allowable extent of operating expenses, when it identified the property whose prudently incurred costs is included in the rate base, and when it sets a reasonable rate of return on that rate base. Thus a reasonable rate is the rate resulting from a process that must consider the competing interests of investor and customer and must determine the appropriate recognition that each deserves." *Appeal of Conservation Law Foundation,* 127 N.H. at 638.

Supreme Court has elaborated that, when the Commission is analyzing the question of prudence, "[i]f the entire investment in a given asset was foreseeably wasteful, the entire investment must be excluded; if only some of the constituent costs attributable to a given asset were foreseeably wasteful, the value for rate base purposes of the investment in this asset must be reduced accordingly," with exclusion from rate base of costs that the Company should have foreseen as wasteful. *Appeal of Conservation Law Foundation*, 27 N.H. at 637. For the question of expenditures and investments meeting the "used and useful" standard of RSA 378:28, New Hampshire case law has invested the Commission with flexibility in determining what may qualify as used and useful, "thus necessarily providing scope for policy judgments." *Id.* The New Hampshire Supreme Court grants broad discretion to the Commission in its approach to these responsibilities. *Id.* at 615-616, *citing LUCC v. Public Serv. Co. of N.H.*, 119 N.H. 332, 340 (1979) (*citations omitted*). *See also Appeal of Morin*, 140 N.H. 515, 517-518 (N.H. Compensation Appeals Board has 'broad discretion over the conduct of its proceedings, including its hearings,' and '[o]rders or decisions of the [B]oard shall not be set aside or vacated except for errors of law, unless the [Supreme Court] is satisfied, by a clear preponderance of the evidence before it, that such order is unjust or unreasonable.'), *citations omitted*.

For our assessment of the Company's proposals, we turn to the parties' and intervenors' proposals, with particular attention paid to the DOE's recommended adjustments to the Company's revenue requirement and the supplemental testimony of the DOE's witness, Ms. Mullinax. *See, e.g.*, Hearing Exhibit 41. We address each recommendation in turn below.

In general, as summarized in Ms. Mullinax's testimony, Hearing Exhibit 41, the Company eventually presented a requested revenue requirement (deficiency) of $102,823,201 (as presented in Hearing Exhibit 39), a reduction from the Company's originally stated revenue deficiency of $181,898,881. This reduction resulted primarily from the Company's removal of storm costs and 2024 capital investments, as recommended by the DOE, for consideration in future proceedings. Notably, this analysis does not include the additional $35 million requested by the Company for PBR associated with the years 2024 and 2025. The DOE requested additional adjustments, further reducing the Company's revenue requirement by $42,889,149, for a DOE-recommended revenue requirement of $59,934,052. Hearing Exhibit 41 at Bates Page 4. Ostensibly, 19 discrete adjustments are being presented for the Commission's consideration by the DOE. However, upon inspection, there is one "Adjustment" (Adjustment 16), that is illustrative, insofar as the matter being addressed by the DOE (Unrecovered Storm Costs), that was deferred by the Commission for a future phase of this proceeding, one "Adjustment" (Adjustment 7) is a blank space in Ms. Mullinax's list, labeled, "No Adjustment," and one "Adjustment" (Adjustment 4) has been withdrawn by the DOE, after the Company had accepted the crux of the recommendation.

The original list of these Adjustments was presented by the DOE, for the most part, in Ms. Mullinax's original direct testimony, Hearing Exhibit 19, while the weather normalization of Test-Year Billing Determinants, discussed in Adjustment 6, was addressed by Mr. Clark's direct testimony on behalf of the DOE, Hearing Exhibit 14, and incorporated by reference in the Joint Testimony of Messrs. Dudley, Willoughby, and DeVirgilio, Hearing Exhibit 17. Furthermore, the Disallowed Plant in Service

matters were primarily addressed in the Dudley-Willoughby-DeVirgilio Testimony, hearing Exhibit 17, and in the Joint Testimony of Ms. Nixon and Ms. Trottier, Hearing Exhibit 21.

Adjustment 1: Disallowed Plant in Service

The DOE recommended disallowances to the Company's rate base for the Commission's consideration, *see* Docket Tab #286 at 29-45. The Commission will address those recommendations in turn.

The DOE recommended that the Company's Project DG9R, involving "field design and construction to accommodate customer installation of Distributed Energy Resource (DER) (e.g. solar) funded by customer or developer," amounting to $650,000, be disallowed from rate base, as the Company's Project Costs Summary shows that all project costs would be reimbursed by the customer in question, in accordance with the Company's Tariff. Hearing Exhibit 10 at Bates Pages 771-772, 775. In response, the Company argued that some portion of unspecified "non-reimbursable" costs for this project could still exist. Docket Tab #289 at 90-92. Having reviewed these arguments, the Commission CONCURS with the DOE that this project should not be allowed in rate base, due to the costs of the project having been reimbursed by the customer installing the distributed energy resource(s).

The DOE further advocated for the elimination of an entire category of capital projects that the DOE characterized as "incomplete," totaling $27,858,763, also described as "multi-year projects." Hearing Exhibit 17 at Bates Page 24. Likewise, the DOE recommends exclusion of $3,635,185 of ongoing project costs associated with projects that were the subject of past step adjustments approved by the Commission for the Company, arguing that the "complete" status of these projects at the time that

the step increases were approved serves as a bar on ongoing inclusion of incremental costs in the Company's rate base. Hearing Exhibit 17 at Bates Pages 29-31. The Company argued that these costs constituted "carry-over" costs, that extend through multiple years, for which recovery was appropriate by the Company. Docket Tab #289 at 87-90. Having reviewed these arguments, the Commission agrees with the Company that the DOE's arguments against those projects, including those projects subject to past step adjustment reimbursements in the rate base, are not compelling; therefore, we REJECT those recommended disallowances by the DOE.

The DOE further recommended disallowance of $311,739 for eight Electric Vehicle (EV) charging stations at the Company's properties in Portsmouth and Nashua (with four chargers installed at each location), arguing that the Company failed to show any customer benefit for these EV stations from its expenditure. *See* Hearing Exhibit 10 at Bates Pages 227-229. DOE recommended disallowance insofar as the stations are not accessible to the public, nor did the Company provide any evidence of its assertions that the EV stations were necessary to provide safe and reliable services for the benefit of its customers, and enabled the attraction and retention of qualified employees. *Id.* The Company argued in response that the DOE's definition of customer benefit was too narrow and that the expenditure was prudent. Docket Tab #289 at 95-96. Having reviewed the record and these arguments, we CONCUR with the DOE that the Company has failed to meet the burden to justify this expense; therefore, we adopt this disallowance recommendation.

The DOE made another recommendation on EV Make-Ready infrastructure at the Monadnock Community Market Cooperative in Keene, amounting to $139,786 in costs, which the DOE argued would be covered by the customer as a line-extension

cost under the Company's Tariff. Docket Tab #286 at 39-40; *see* Hearing Exhibit 10 at Bates Pages 242-244; 796-811; Hearing Exhibit 17 at Bates Page 542. In response, the Company asserted that these costs were part of the scope of the settlement agreement approved by the Commission in Docket No. DE 21-078. Docket Tab #289 at 103-105. Having reviewed the record and these arguments, we CONCUR with the DOE that, as the customer should cover these costs under the Company's Tariff, they should not be included in the rate base.

The DOE further recommended another disallowance from rate base related to the Company's expenditure of approximately $1.8 million ($1,247,000 in 2022 and $607,773 in 2023) for diesel trucks with a battery-power capability. Docket Tab #286 at 43; Hearing Exhibit 17 at Bates Pages 60-61. The DOE argued that the Company was under no mandate to acquire this equipment or to abide by New Hampshire's anti-idling rules, and failed to produce adequate evidence to support its assertions of cost savings associated with it; therefore, the $1,854,773 associated with this investment should be disallowed. In response, the Company argued that this investment did reflect New Hampshire's policy against idling and offered $52,000 in benefits attributable to annual fuel savings. Hearing Exhibit 10 at Bates Page 258; Docket Tab #289 at 106-107; 5/23/25 Tr. at 27. Having reviewed the record before us and these arguments, we CONCUR with the DOE that the $52,000 in cost savings pointed to by the Company, compared to the more than $1.8 million in outlay, do not justify this investment in the absence of a New Hampshire EV mandate, therefore, we ACCEPT the DOE's recommendation for this disallowance of imprudent investment.

The DOE further argues that for the Company's investment in the PowerClerk computer program (Project #IT224477), the costs presented by the Company of

$3,053,670 for this investment should be excluded from the rate base. Hearing Exhibit 17 at Bates Pages 35-37. The DOE based its argument on the policy position that interconnection fees should cover such costs, as the PowerClerk program was acquired to manage interconnection applications. *Id.* In response, the Company argued that the DOE's recommendation of a complete disallowance was based on its policy preference, not any finding on imprudence, and the PowerClerk investment was made in 2023, with the interconnection fees coming into effect in 2025. Docket Tab #289 at 100-103. Having reviewed the record and these arguments, the Commission RULES that the PowerClerk program was a legitimate investment and is used and useful in providing utility service, the retroactive policy argument presented by the DOE notwithstanding. We therefore REJECT this recommended disallowance.

The DOE recommended that the Commission disallow from the rate base, as an imprudent expenditure, the Company's acquisition of the property on which its Derry Work Center is situated, the costs for which total $1,350,000. The Company paid $3.5 million for this property, and the DOE produced an estimated value of $2.25 million, applying a valuation methodology used by the New Hampshire Department of Revenue, with adjustments, with the proposed disallowance of $1.35 million representing the difference in values. Hearing Exhibit 17 at Bates Pages 38-43. The DOE also pointed to the Company's failure to arrange an appraisal for the property as justifying the disallowance. The Company responded with arguments that it had applied the reasoned business judgment of its personnel in moving forward with the acquisition of the property at the purchase price. Docket Tab #289 at 98-100. Having reviewed the record before us and these arguments, the Commission REJECTS the

DOE's recommended disallowance, as the DOE has not provided compelling evidence that the Company acted imprudently in making its acquisition of this property.

The DOE presented one recommended disallowance for $639,741, regarding payment of line contractors, stating that the accounting entry was in error, and that $427,841 had already been agreed to for withdrawal from rate base by the Company, Hearing Exhibit 17 at Bates Page 45, making the larger proposed disallowance justified. The DOE also argued that $74,819 in submarine-cable-related costs should be disallowed, as the Commission had reviewed that project for the Company's 2020 step adjustment, and the Commission ordered a partial disallowance. Hearing Exhibit 17 at Bates Page 46. In response, the Company argued that the two figures referenced for the line contractors were distinct, with the $639,741 figure not relating to rate base, making the original $427,841 withdrawal from rate base (not $639,741) the correct adjustment. Docket Tab #289, at 94-95; Hearing Exhibit 10, at Bates Page 180. For the submarine cable issue, the Company pointed out that this was a multi-year project of the type discussed above, and that as the plant in question was used and useful in the provision of utility service, keeping this figure in the rate base would be appropriate. Docket Tab #289 at 105-106. Having reviewed the record before us and these arguments, we DECLINE to adopt these recommended disallowances by the DOE, insofar as the DOE has not provided clear and convincing evidence that a $639,741 disallowance, beyond the $427,841 withdrawn by the Company, would be justified, given the Company's explanations, and that the $74,819 in the submarine cable related costs are not used and useful in the provision of utility service, or somehow imprudent.

For the Company's Nashua Area Work Center renovation investment, totaling $11,456,259, the DOE recommended a full disallowance of the cost of this project from the rate base due to the DOE's allegations of infirmities in the Company's selection process for the contractor hired for this project. Hearing Exhibit 17 at Bates Pages 49-56; 5/15/25 Tr. at 151-183. The Company responded with arguments that its contractor-selection process was reasonable, in held in conformity to good business practice and judgment, and that the DOE's recommendation of a total disallowance of the project cost was far out of proportion to any alleged infirmities in contracting. Docket Tab #289 at 92-94. Having reviewed the record before us and these arguments, we DECLINE to adopt the DOE's recommendation to fully disallow these project costs. This would be a drastic remedy, far out of balance of whatever infirmities are being alleged by the DOE in the contracting process, assuming, *arguendo*, that these allegations are true. We further note that there is no evidence being presented by the DOE that the Nashua Area Work Center, after its renovation, is not being used and useful in the provision of the Company's utility service.

Also relating to the Company's investments in Nashua, the DOE recommended that in connection with a land swap with the City of Nashua (involving the Millyard substation), wherein the Company provided $290,499 of remediation investment in both parcels, the DOE asserted that the Company was under no obligation to remediate both parcels, making the expenditure imprudent, though the DOE did support the land-swap agreement in general. Docket Tab #286 at 42; Hearing Exhibit 17 at Bates Pages 57-59. In response, the Company argued that in the context of the land swap making good business sense, and the City of Nashua refusing to pay for remediation costs of its own parcel, the Company undertaking a remediation of both

parcels was a necessary and prudent expenditure. Docket Tab #289 at 96-98; Hearing Exhibit 10, Bates Pages 93, 257-258). Having reviewed the record before us and these arguments, we CONCUR with the Company that this expenditure was prudent, insofar as environmental remediation was good business practice and judgment on the part of the Company in this context. We therefore REJECT this recommended disallowance by the DOE.

The DOE recommended disallowance of $499,033 related to LED Lighting Projects, asserting that these projects could be covered by RSA 125-O funding. Hearing Exhibit 21 at Bates Pages 10-11. In response, the Company stated that the DOE failed to provide any evidence that these projects were imprudent, and that the DOE's preferred approach of having these costs covered through RSA 125-O funding would be improper. Docket Tab #289 at 107-109. Having reviewed the record before us and these arguments, the Commission DECLINES to adopt this recommended disallowance, as the DOE's assertion that these project costs could be covered by RSA 125-O funding is too speculative to justify a finding of imprudence against the Company.

Adjustment 2: Materials & Supplies

As described in Ms. Mullinax's Testimony, Hearing Exhibit 19, Bates Page 208, for Materials & Supplies (M&S), the Company applies a test-year-end (December 31, 2023) balance of $38,573,665. The DOE noted that this M&S balance was the highest month-end balance over the entire 2022-2023 period, as acknowledged by the Company, and though this M&S calculation methodology was applied in the settlement agreement for the Company's last rate case, the Company acknowledged that the settlement agreement does not set a precedent for this case. 5/6/24 Tr. at 74,

77-78. For this Adjustment, the DOE recommended a five-quarter test-year average amount of $26,812,694 be applied; that is, a reduction of $11,940,971 to the Company's rate base, as it is more representative of the inventory levels over the course of a year. Hearing Exhibit 19 at Bates Page 77; Hearing Exhibit 41 at Bates Page 5.

Though we acknowledge the Company's arguments against acceptance of the DOE's recommendations for this Adjustment, *see* Docket Tab #289 at 76-78, in this instance, we also acknowledge the reasonableness of the DOE's recommendation, insofar as it applies a blended average of quarterly expenditures grounded in the test year (2023). Therefore, in our judgment, the balance TIPS in FAVOR of our acceptance of the DOE's recommendation for Adjustment 2, and therefore, we APPROVE it.

Adjustment 3: Prepayments

The DOE recommends the exclusion of prepayments of $2,066,146 from the Company's rate base, arguing that these items are covered by the working-capital requirements addressed in the Company's Lead-Lag Study, with the collection of these prepayments in the rate base constituting a form of double-recovery. *See* Docket Tab #286 at 28-29. The Company, in turn, points out in their arguments that Ms. Mullinax, in her oral testimony, stated that the DOE did not conduct an analysis to determine that there is a double-recovery of prepayments, 6/4/25 Tr. at 88. The Company denies the collection of double-recovery through prepayments, states that it proposed methodology is in conformity with applicable accounting rules and the DE 19-057 settlement agreement methodology, and requests that the Commission reject this DOE-proposed Adjustment 3. *See* Docket Tab #289 at 74-75.

For this Adjustment, the Commission finds that the DOE has not presented compelling evidence that there is actual double-recovery transpiring through the Prepayments element of the rate base. Therefore, in our judgment, the balance TIPS AGAINST our acceptance of the DOE's recommendation for Adjustment 3, and therefore, we DENY it. We also draw comfort—though this is not dispositive—from the fact that this is a continuation of current practice at the Company under the terms of the DE 19-057 settlement agreement. We do, however, invite the DOE to monitor this issue and to provide future reports to the Commission regarding its findings, as appropriate.

Adjustment 4: Regulatory Liability

For this Adjustment, which initially totaled $8.1 million in rate base, Ms. Mullinax indicated in her updated testimony, Hearing Exhibit 41, Bates Page 11, that this recommended adjustment was adopted by the Company, as reflected in the Company's updated rate base\revenue requirement calculations, Hearing Exhibit 39, thereby leading the DOE to withdraw this Adjustment. (As indicated in the testimony of Mr. Eckberg, Hearing Exhibit 20, the DOE recommended, and the Company concurred, that this regulatory liability related to Eversource's Renewable Portfolio Standard (RPS) obligation should be reflected in the Company's default Energy Service Rates, Hearing Exhibit 20 at Bates Pages 25-26).

Adjustment 5: Cash Working Capital

In her updated Testimony, as presented in Hearing Exhibit 41, Ms. Mullinax indicated that the DOE incorporated the Company's updates to Cash Working Capital to reflect the changes it made to expenses in its filing in Hearing Exhibit 39, which led

the DOE to recommend an increase in the Company's rate base, through an adjustment to Cash Working Capital, of $2,926,178.

Regarding this issue, the Commission hereby RULES that the DOE analysis on this point is persuasive, and the Company should INCORPORATE this Adjustment into its permanent rates. Otherwise, the Commission ACCEPTS the Company's Cash Working Capital analysis presented in its proposal.

Adjustment 6: Weather Normalized Revenue

In its recommendations, as developed by Dr. Clark, the DOE recommends that the Commission apply a weather-normalization adjustment to the Company's sales in the test year 2023 because, due to comparatively mild winter and mild summer, the Company's electricity sales were lower than normal. The DOE recommends a downward adjustment in the Company's revenue requirement of approximately $6.5 million to reflect such an adjustment. Hearing Exhibit 40 at Bates Pages 4-7; Hearing Exhibit 14 at Bates Pages 6-14. (Dr. Clark's arguments are summarized at length by the DOE in its Closing Argument, Docket Tab #286 at 45-50, with internal citations to the record).

The Company opposed Dr. Clark's analyses and the DOE's arguments in favor of weather-normalization of its sales, insofar as the Company alleges that the approach of weather-normalization of sales is limited to gas (as opposed to electric) utilities. The Company also points to alleged deficiencies in Dr. Clark's analyses to oppose the specific recommended Adjustment to the revenue deficiency. *See* Docket Tab #289 at 109-111.

For this Adjustment, the Commission notes that weather normalization of sales, to be applied to the operating revenues of the Company, is not an unknown concept

for New Hampshire electric utilities, insofar as weather normalization is an embedded element of revenue decoupling, which is applied to Eversource's two investor-owned peer electric utilities in New Hampshire, Liberty and Unitil. Weather normalization of sales has also been applied to our State's gas utilities for quite some time, as correctly pointed out by the Company and DOE. There is much to commend weather-normalization as a means of balancing the interests of both the Company's investors and shareholders, insofar as in the instance of a harsh year driving up sales beyond normal, the weather normalization would guard against a deleterious effect on a test-year revenue requirement, aiding investors, while in the case of a mild year driving down sales for a test year, normalization would guard against an increase in rates beyond what would be normal for customers. Having balanced these factors, we find that the balance TIPS in FAVOR of our approval of this Adjustment, and we hereby APPROVE the weather-decoupling methodologies recommended by the DOE related thereto, and ORDER the Company to implement them in the context of its rate case accounting.

Adjustment 7: No Adjustment

Adjustment 8: Incentive Compensation

The DOE recommends that $5,529,771 of incentive compensation paid to Company executives and personnel be removed from the Company's O&M calculations, "because it is comprised of incentive-based compensation where the criteria to award the incentive pay benefits [the Company] and its shareholders, not customers." *See* Hearing Tab #286 at 50-51; Hearing Exhibit 19 at 27-32; Hearing Exhibit 41 at 41. The DOE also alleges that $236,990 of the Company's requested incentive compensation relates to 2025 performance and will not be known and

measurable until 2025 has ended, and therefore, that this figure should also be removed from the Company's O&M calculations. *Id*.

In particular, the DOE, in Ms. Mullinax's testimony, pointed out that 21 percent of the goal-weighting assigned to the incentive compensation package related to "Advancement of Strategic Growth Initiatives and Regulatory Outcomes," listed as "Maximize investment in offshore wind; Obtain constructive regulatory outcomes; Grow the water business; Advance 5 Remaining DER; Secure clean energy funding." Hearing Exhibit 19 at Bates Page 27. A further 15 percent weighting was assigned to "Safety, Gas Response, Diversity and Key Customer and Sustainability Initiatives." *Id*. Ms. Mullinax noted that the sub-goals associated with "Advancement of Strategic Growth Initiatives and Regulatory Outcomes" were focused on Connecticut and Massachusetts activities, with little connection to the Company's New Hampshire operational context. *Id.* at Bates Pages 27-30.

In its Closing Argument, the Company concurred with the DOE's Adjustment regarding the $236,990 of pro-forma incentive compensation expense for 2025, without conceding any argument in favor of its conclusion, and agreed to remove this element from the Company's O&M expense. Docket Tab #289 at 68. For the remaining portion of the DOE's proposed Adjustment, the Company argues in opposition to its adoption by the Commission, as it is, the Company asserts, a valuable means of developing talent and fostering employee performance for the Company. *Id*. at 66-68. As shown in Hearing Exhibit 10, Bates Page 855-859, the Company argues, that a broad range of business entities use incentive-compensation structures, which offer benefits for Eversource customers through these employees' enhanced business performance.

For this Adjustment, we CONCUR with the Company that incentive compensation structures such as those presented by the Company offer performance and retention benefits for Eversource, which in turn, benefit the Company's customers in the long run. Therefore, in general, we find that the balance TIPS in AGAINST our acceptance of Adjustment 9, and therefore, we DENY it in part, as elaborated below.

Given the lack of New Hampshire specific-relevance to the "Advancement of Strategic Growth Initiatives and Regulatory Outcomes" goals, representing 21 percent of this expense category, as demonstrated by Ms. Mullinax, we hereby DISALLOW this portion of the incentive compensation for recovery. Also, due to the lack of a gas-utility affiliate for the Company in New Hampshire, we ORDER the Company to provide a comprehensive explanation of its "Safety, Gas Response, Diversity and Key Customer and Sustainability Initiative" goal within its next rate case filing.

Adjustment 9: Payroll Tax

The DOE recommended a $330,613 disallowance related to payroll taxes, as it is tied to the DOE-recommended disallowance (Adjustment #8) associated with incentive compensation. Hearing Exhibit 19 at Bates Page 32. In response, the Company stated in its Rebuttal Testimony, Hearing Exhibit 10 at Bates Page 842, that though it agreed that any reduction in the cash incentive compensation would correspondingly reduce the associated payroll taxes, that as it opposed the DOE recommendation in Adjustment #8, it opposed this Adjustment as well. As the Commission has ruled to disallow 21 percent of the figure referenced in Adjustment 8, the Commission hereby rules that, as a consequence, 21 percent of the $330,613 recommended disallowance figure is DISALLOWED from the Company's rates.

Adjustment 10: Supplemental Executive Retirement Benefits

The DOE recommended a $890,645 disallowance for retirement benefits provided to certain executives by the Company, which, the DOE asserted, were in excess of IRS qualified limits for tax deductions, were not appropriate for customer responsibility, and were beyond the regular retirement benefits for these executives. Docket Tab #286 at 51-52; Hearing Exhibit 19 at Bates Page 35; Hearing Exhibit 41 at Bates Page 43; 5/14/25 Tr. at 16-18. The Company, in response, defended its practice relating to these retirement benefits, arguing that they were an essential element in its recruitment and retention efforts for qualified employees, and therefore, were prudent expenditures by the Company. Docket Tab #289 at 68-69; Hearing Exhibit 10 at Bates Pages 860-861. Having reviewed the record, and these arguments, the Commission CONCURS with the Company that these expenditures are a valuable element in the Company's recruitment and retention of executive personnel, offering benefits to Eversource and its customers, and we therefore DENY this recommended O&M disallowance.

Adjustment 11: Directors & Officers Liability Insurance

The DOE recommends that 50 percent, or $52,798, of the cost of Directors and Officers liability insurance be excluded from rate recovery by the Company, as a proxy for the benefits of this program accruing to shareholders of Eversource. Docket Tab #286 at 52; Hearing Exhibit 19 at Bates Page 36; Hearing Exhibit 41 at Bates Page 44. The Company responded with arguments that no disallowance of this cost was warranted, as this expenditure was an O&M expense needed to attract and retain qualified employees, in conformity with good business practice. Docket Tab #289 at 64-66; Hearing Exhibit 10 at Bates Page 864. Having reviewed the record and

arguments regarding this issue, we do not concur with the DOE that any portion of this legitimate O&M expense by the Company may be invalidated as imprudent, and therefore, for the reasons cited by the Company, we DENY incorporation of this adjustment.

Adjustment 12: Projected Inflation

For this Adjustment, the DOE recommended that the Commission deny the Company's request to recover projected inflation on O&M expenses, thereby reducing the Company's revenue deficiency request by $1,815,324. Docket Tab #286 at 52-53. The DOE bases this recommendation on its assertion that future inflation is not known and measurable, and that granting this request would remove an incentive for the Company to maintain cost-control discipline. *Id.* In response, the Company argued that inflation was, in fact, a known and measurable metric suitable for an application to O&M expense based on historical trends. Docket Tab #289 at 70-71.

The Commission, as explained below, has included an inflation-tracking element to our alternative regulation framework for the Company. Therefore, inclusion of an adjustment for O&M expense due to inflation would be double-counting, and inappropriate. Therefore, this recommended disallowance by the DOE is APPROVED by the Commission.

Adjustment 13: Rate Case Expenses

The DOE recommended that rate case expenses for the Company be collected through the existing Regulatory Reconciliation Adjustment (RRA) rate mechanism for Eversource, as is the usual practice, to enable actual, as opposed to estimated, rate case expenses to be applied after a Commission review. Hearing Exhibit 19 at Bates Page 41; Docket Tab #286 at 53. The Company had requested that its rate case

expenses be included in its base rates[8], amortized over five years. Hearing Exhibit 42 at Bates Pages 68 and 78. The Commission CONCURS with the DOE that all rate case expenses, after Commission review in this proceeding, as is the usual practice, shall be recovered under the Company's RRA adjustment mechanism, rather than its base rates, to accommodate full Commission review of these expenses.

Adjustment 14: Fee Free

The DOE stated that it supported continuation of the Fee Free program for electronic customer payments for the Company, discussed below. However, the DOE recommended that, instead of the entire cost of the program being covered by base rates, as proposed by the Company, that $600,000 of costs be included in the Company's base rates, with an annual over- or under-collection to be reconciled through the RRA over 2 years. Hearing Exhibit 20 at Bates Page 21; Docket Tab #286 at 54. The Company sought distribution recovery of $792,100 in Fee Free payment processing costs, Hearing Exhibit 41 at Bates Page 47, and amortization of $528,009 in deferred, under-recovered Fee Free program costs over five years; Docket Tab #289 at 31-32.

As discussed below, the Commission has RULED to terminate the Fee Free program, at the recommendation of the OCA, effective August 1, 2025. Therefore, the Commission hereby RULES that no Fee Free related costs are to be included in the Company's base rates, and that the Company amortize any existing under-collection through the RRA for the next 2 years.

[8] As referenced in Footnote 5, above, 'base rates" refers to the distribution revenue requirement of the Company.

Adjustment 15: New Start

The DOE recommends that the Eversource New Start program be continued, and that $3.5 million be included in base rates with an annual over- or under-collection to be reconciled annually in the RRA. (The Company had proposed that all New Start Program expenses be recovered in base rates, Hearing Exhibit 9 at Bates Pages 1568-1569; 1697-1698). The DOE, regarding the current $4.9 million cost overrun associated with the New Start program, recommended that these expenses be recovered through the RRA over 5 years. Hearing Exhibit 41 at Bates Pages 17 and 48; Docket Tab #286 at 54.

The Commission has made adjustments to the budgeting and cost-recovery elements of the New Start program, as discussed below. In summary, the Commission RULES that the New Start budget is $2.5 million annually, beginning January 1, 2026, and any cost overruns beginning January 1, 2026, are a shareholder expense. The existing cost overrun (under-collection) of $4.9 million will be recovered in the RRA over 3 years. The Company will recover any additional cost overruns through December 31, 2025, via the RRA over the same 3-year period.

Adjustment 16: Unrecovered Storm Costs (in excess of Major Storm Cost Reserve (MSCR)

This Adjustment was provided by the DOE for illustrative purposes; the Company agreed to remove its unrecovered major storm costs from consideration in this rate proceeding, for resolution in the DE 24-041 and DE 25-021 ongoing Commission proceedings.

Adjustment 17: Vegetation Management

The DOE included a $200,000 rate credit in its proposed adjustments to the Company's revenue requirement, relating to Vegetation Management, due to the

differential between the DOE's Vegetation Management program proposed budget, and that proposed by the Company. Hearing Exhibit 41, Bates Pages 5 and 50. The Commission's adjustments to the Vegetation Management proposals of the Company, discussed below, make this adjustment unnecessary, and therefore, the Commission DENIES this Adjustment.

Adjustment 18: Interest Synchronization

The DOE included a $381,993 proposed adjustment in the Company's income taxes accounting (reducing the income taxes), relating to "Interest Synchronization." Hearing Exhibit 41 at Bates Pages 5, 51. Due to the Commission's alternative regulation framework absorbing this element, this DOE-recommended Adjustment is hereby DENIED.

Adjustment 19: 2024 Property Tax Not Audited

The DOE stated, in Ms. Mullinax's supplemental testimony, that the 2024 property tax bills, reflected in the Company's final update to is rate accounting (Hearing Exhibit 39), have not yet been audited by the DOE Audit Division. The DOE recommend that these costs, totaling $2,018,041, be removed from the Company's rates, and be included in a Step Adjustment after they have been audited. Hearing Exhibit 41 at Bates Page 19. The Company argued that the Property Tax expenses included in its rate request reflected a representative level of expense. Docket Tab #289 at 30.

Having reviewed the record before us, and the arguments regarding this issue, we CONCUR with the DOE that the $2,018,041 in not-audited 2024 Property Tax expenses should be DEFERRED from recovery by the Company, pending the outcome of a DOE Audit.

2. Commission Adoption of DOE-Recommended Adjustments to ROE and Company Debt-to-Equity Ratio

In considering the question of ROE[9], the Commission must assess whether the ROE that is set as a rate of return for used and useful investments by the Company is sufficient to assure investor confidence in the financial soundness of the utility, and enough to maintain and support its credit so that it will be able to raise the funding necessary to improve and expand its service to customers. *New England Tel. & Tel. Co. v. State*, 104 N.H. 229, 234 (1962). The Commission must also set this reasonable rate of return while giving appropriately due recognition to the competing interests of the Company and its investors on the one hand, and of the customers who pay the rates established on the other, in keeping with the Commission's role as arbiter. The Commission should set a rate sufficient to yield a return comparable "to that generally made at the same time and in the same general part of the country on investments in other business undertakings which are attended by corresponding risks and uncertainties." *Appeal of Conservation Law Foundation of New England, Inc.*, 127 N.H. 606, 635-636 (1986), *citing Bluefield Co. v. Pub. Serv. Comm.,* 262 U.S. 679, 692 (1923), and *New England Tel. & Tel. Co.,* 104 N.H. at 234 (other citations omitted); RSA 363:17-a. On the other hand, the actual needs of the Company do not control what the Commission may do when it sets the rate of return and the other variables that determine allowable revenue. The Commission may set the "sufficient" rate of return by reference to a capital structure that it finds appropriate, rather than the actual capital structure of the Company. *Appeal of Conservation Law Foundation,* 127 N.H. at

[9] The Commission acknowledges the parties' citations to the federal *Hope* and *Bluefield* standards as relating to ROE, but insofar as the New Hampshire Constitution is at least as protective of the Company's constitutional rights against takings as the U.S. Constitution, *see State v. Ball,* 124 N.H. 226, 231-234 (1983), the Commission shall rely on New Hampshire legal standards and precedent in rendering its decisions here.

635-636, *citing New England Tel. & Tel. Co.*, 104 N.H. at 236 (other citations omitted). The Commission has authority to set the rate of return by reference to appropriate, as distinguished from actual, capital structure because the object of the process is to strike a fair balance between recognizing the interests of the customer and those of the investor. *Appeal of Conservation Law Foundation,* 127 N.H. at 636, *citing Power Comm'n v. Hope Gas Co.,* 320 U.S. 591, 603 (1944) and *Chicopee Mfg. Co. v. Public Service Co.*, 98 N.H. 5, 11 (1953). The Commission can allow a rate of return in excess of the utility's cost of capital (cost of money); how much more than the cost of capital "shall be allowed" for a rate of return to a public utility depends upon the Commission's determination as to what is a just and reasonable return. *Chicopee Mfg. Co.*, 98 N.H. at 12-13, *citing New England Tel. & Tel. Co. v. State,* 95 N.H. 353, 361 (1949). Thus, it is realistic to stress the role that the Commission's judgment must play in setting a sufficient and reasonable rate of return for the Company. *Appeal of Conservation Law Foundation*, 127 N.H. at 636, *citing Bluefield Co. v. Pub. Serv. Comm.*, 262 U.S. at 692 (other citations omitted).

In this case, having reviewed the record before us, and the arguments of the parties related thereto on these issues, we find the recommendations of Dr. Woolridge, submitted on behalf of the DOE, Hearing Exhibit 16, as augmented by his oral testimony, compelling, and hereby adopt them concerning the ROE figure of 9.50 percent, the recommended capital ratio of 50 percent debt to 50 percent Common Equity, and the resultant weighted average cost of capital figure for Eversource of 6.80 percent. *See* Hearing Exhibit 16 at Bates Page 11. Dr. Woolridge is a subject-matter expert on ROE that has contributed analyses to several Commission rate proceedings. *See, e.g.,* Docket No. DE 19-057, Hearing Exhibit 36; *see also* Hearing Exhibit 16 at

Bates Pages 137-138. We are persuaded by Dr. Woolridge's testimony and analysis, including his critiques of the Company's witnesses, and find that his recommendations for the Company's return on equity, capital ratio, and weighted average cost of capital will result in just and reasonable rates. Dr. Woolridge presents his recommendations as a fair compromise between the needs of the Company for a capital-attractive rate of return, the need to ameliorate financial risks associated with debt, and associated costs, Hearing Exhibit 16 at Bates Page 38-41, and the interests of customers in avoiding rate shock. As presented, Dr. Woolridge's proxy analyses, offer a reasonable approach that conforms with the New Hampshire legal standards governing comparability of earnings, and we adopt them. *Appeal of Conservation Law Foundation of New England, Inc.*, 127 N.H. 606, 635-636 (1986), *citing Bluefield Co. v. Pub. Serv. Comm.,* 262 U.S. 679, 692 (1923), and *New England Tel. & Tel. Co.,* 104 N.H. at 234.

As shown in the graphic presented in Ms. Perry's testimony, filed on behalf of Wal-Mart, Inc., Hearing Exhibit 34 at Bates Page 13, the 9.5 percent ROE level is well within the range of comparability among investor-owned utilities in the Northeastern United States. Furthermore, this ROE is in line with that approved by the Commission recently for Eversource's New Hampshire investor-owned utility peers: Unitil Electric Systems, Inc. (Order No. 26,623 (May 3, 2022); 9.2 percent ROE, 7.42 percent WACC); and Liberty Utilities (Granite State Electric) d/b/a Liberty (Order No. 28,135 (April 24, 2025), and Order No. 26,376 (June 30, 2020); 9.1 percent ROE, 7.708 WACC).

We find that a 9.5 percent ROE is comparable to the returns on equity enjoyed by the Company's peers, and will allow the Company to attract capital investment; the 50-50 capital-to-debt ratio will serve to control debt-incurred financial risk and serves

to reduce the financial burden on Eversource's customers, as compared with the Company's original proposals. After considering all the evidence presented in this case, we find that the DOE's recommended ROE, capital-to-debt ratio, and resulting WACC calculation for the Company are just and reasonable and produce just and reasonable rates. We therefore ADOPT and INCORPORATE into our alternative regulation of the Company's distribution rates the DOE's recommendations for the Company's ROE, capital-to-debt ratio, and resulting WACC calculation.

In doing so, we are not persuaded by the OCA's argument and expert testimony, Hearing Exhibits 22 and 24, that a much lower 8.13 percent ROE would still allow the Company to realize a reasonable return or continue to attract investment capital. Instead, we find that the OCA proposed ROE was neither just nor reasonable, nor would it result in just and reasonable rates. Thus, we REJECT OCA's proposed ROE in favor of the DOE's recommended ROE.

Likewise, we did not find the Company's arguments in favor of the 10.3 ROE proposal persuasive. The Company's use of non-regulated companies in its proxy analysis, as criticized by Dr. Woolridge, did not give the Commission confidence regarding the reasonableness of its analysis, nor do we accept the Company's over-optimistic growth forecasts, and over-stated market risk premiums, applied in Mr. Rea's analyses. *See* Hearing Exhibit 16 at Bates Pages 94-136.

B. Alternative Regulation Framework, As Modified by the Commission; Default Ordinary Rate-Case Approach Overview

Pursuant to the terms of RSA 374:3-a, "Upon petition of a regulated utility or upon its own initiative and after notice and hearing, the [Commission] may approve alternative forms of regulation other than the traditional methods which are based upon cost of service, rate base and rate of return, provided that any such alternative

results in just and reasonable rates and provides the utility the opportunity to realize a reasonable return on its investment." RSA 374:3-a. Relying on this authority, the Commission enacted rules governing the approval of alternative regulation, N.H. Code Admin. Rules Puc Part 206. Specifically, under Puc 206.06, when a utility files a petition for Alternative Regulation pursuant to RSA 374:3-a, the utility shall list the impacts of the proposed Alternative Regulation scheme on a list of nine factors established in Puc 206.06(b), including part (3), "The traditional regulatory balance which does not unfairly benefit or disadvantage utility customers, utility investors, and other stakeholders." Puc 206.06(b)(3). Furthermore, under Puc 206.07, "Standards for Approval," the Commission "...shall approve an alternative form of regulation if it determines that such alternative: (a) Results in rates that are not unduly discriminatory and are at a level that allows those to whom a service is being marketed to obtain such service; (d) Provides the utility the opportunity to realize a return on its investment which falls within a range that is neither confiscatory nor unduly profitable and that reflects the utility's investment risk; and (c) Serves the public interest in light of the considerations described in Puc 206.06(b)(1) through (9)." Puc 206.07(a)-(c). Puc 206.08(a) also establishes reporting requirements for utilities under an Alternative Regulation framework, with reports made to the Commission "no later than" March 31st of each year the following information: "(1) Changes in prices of services under an alternative form of regulation during the calendar year just concluded...(2) New services introduced under an alternative form of regulation...(3) The rate of return realized on services under an alternative form of regulation...(4) New construction or improvement to infrastructure introduced under an alternative form of regulation just concluded; and (5) Any further information which the [C]ommission

determines is necessary to conform that the original bases for approval under Puc 206.07 have still been met." Puc 206.08(a), *emphasis added*.

In a New Hampshire Attorney General's Opinion, issued on January 13, 1997 (1997 N.H. AG LEXIS 1), endorsing the form of the Commission's Alternative Regulation (Puc Part 206) rules, which have remained substantively unchanged since that time, the New Hampshire Department of Justice (DOJ) addressed the following question: "Does the [Commission] have the authority to place conditions on its approval of a utility's petition for alternative regulation?" 1997 N.H. AG LEXIS 1, 6-7. The N.H. DOJ answered this question in the affirmative: "...it is well settled that the [Commission] has general power to place reasonable conditions on its approvals of utility requests. *Appeal of Milford Water Works*, 126 N.H. 127, 132 (1985) (conditions imposed by [Commission] in approving request by Milford Water Works held to be reasonable and lawful). Furthermore, the authority to impose conditions on utilities is implicit in the express authority granted to the [Commission] under RSA 374:3-a to commence proceedings on its initiative. To conclude otherwise would require the [Commission] to initiate a new duplicative proceeding whenever it concluded that a utility's petition pursuant to RSA 374:3-a is approvable, but with conditions. Accordingly, it is our opinion that the [Commission] is authorized under the doctrine set forth in *Appeal of Milford Water Works* and pursuant to RSA 374:3-a to place conditions on its approval of utility requests for alternative regulation." *Id.*

The parameters of the Commission's inherent authority to modify, or establish conditions upon, an approval of a utility's proposed Alternative Regulation framework was further developed by the *Appeal of Pinetree Power*, 152 N.H. 92 (2005), New Hampshire Supreme Court case. In an order on reconsideration issued in Docket No.

DE 03-166, Order No. 24,327 (May 14, 2004), 89 NH PUC 294, upheld by the Commission on a further motion for rehearing, in Order No. 24,342 (June 29, 2004), 89 NH PUC 367, certain modified conditions were applied by the Commission to the Alternative Regulation framework sought by the Company in connection with its investment in a boiler at the Company's (then-owned) Schiller Station in Portsmouth. The procedural means by which this was accomplished was a further hearing, upon the joint motion for reconsideration of the Company and other parties to the DE 03-166 proceeding, followed by an acceptance of proposed modifications to the Alternative Regulation framework. The Commission's determinations in Orders Nos. 24,327 and 24,342 were upheld by the New Hampshire Supreme Court in *Pinetree Power*, which held, in relevant part, in the context of Alternative Regulation, "[i]n determining the rates, the [Commission] is to be the 'arbiter between the interests of the customer and the interests of the regulated utilities.' RSA 363:17-a...Here, the [Commission] required a sharing of the risks and rewards that were estimated to result from approval of the Schiller Project. This balancing of the customers' and Company's interests was both legally permitted, *see* RSA 374:3, 3-a, and required, *see* RSA 363:17-a. Accordingly, the [Commission] appropriately used its rate-making authority to approve the joint cost recovery proposal [presented as a modification to the Alternative Regulation framework proposed by the Company]. We conclude, therefore, that [Appellants] failed to meet their burden of proof that the [Commission acted beyond its authority in approving the proposed incentive cost recovery methodology." *Appeal of Pinetree Power*, 152 N.H. 92, 98-100.

In this instance, the Company has sought Commission approval of its proposed PBR framework under our Alternative Regulation authority, RSA 374:3-a, and Puc

Part 206. The Commission has the express authority to place reasonable conditions on our approval of an Alternative Regulation framework proposed by a utility, given our role as arbiter under RSA 363:17-a. A*ppeal of Milford Water Works,* 126 N.H. 127; *Appeal of Pinetree Power*, 152 N.H. 92. In light of this, the Commission may assess the Company's alternative regulation proposal to properly balance the interests of the Company's investors and its customers, under the standards elucidated under Puc Part 206.

In doing so, we recognize that *contra Pinetree*, the Company would not be assenting to these modifications in advance, or agreeing to them during the course of a hearing. Therefore, as further discussed below, if Eversource were to not abide by these conditions precedent to the Commission's approval of an Alternative Regulation framework for the Company going forward, the Company would default to the ordinary course, RSA Chapter 378 ratemaking paradigm under the Commission's authority, without step increases.

Having reviewed the sharp criticisms of the Company's alternative regulation proposal by the DOE, the OCA, AARP, and Walmart, Inc., the Commission notes that the concern that findings of prudency regarding the investments made by the Company should not be short-circuited by alternative regulation is paramount. The Commission also notes concerns surrounding the proper "cast-off" rate level for the initial alternative regulation rate adjustment, to occur simultaneously with the adjustment to permanent rates to be approved effective August 1, 2025; the over-all level of capital investment to be made by the Company going forward; and concerns surrounding rate shock to Eversource's customers going forward. The Commission has therefore adjusted, having reviewed the record evidence, the alternative regulation

framework for the Company subject to the parameters listed below, for the reasons discussed, as a complete substitute for the Company's proposal.

In the first instance, the Commission decides, to guard against the potential for imprudent investments in plant, and imprudent O&M expenditures by the Company, and to also provide a check-in point for Eversource and stakeholders regarding the progress of the alternative regulation framework, to REQUIRE, as a condition precedent for our approval of the alternative regulation framework, that the Company FILE a full distribution rate case no later than on June 1, 2029, for a test year ending December 31, 2028. In this rate case, the Company may wish to advocate for an extension of this alternative regulation framework, but it is not guaranteed. Furthermore, the Company is to provide all elements of a full distribution rate case as part of this filing, as required by Commission rules, including, but not limited to, the elements of depreciation, ROE, O&M expense accounting, Depreciation, and the like. The Commission will engage in a full prudency review for all elements of the Company's capital and O&M investments and expenditures not already reviewed for prudency, as part of this 2029 rate case.

On an annual basis, pursuant to the reporting-requirements elements of Puc 206.08, the Commission hereby REQUIRES, as a condition precedent of our approval of this alternative regulation framework, no later than March 1 of upcoming alternative-regulation rate year, beginning no later than March 1, 2026 (for calendar year 2025 spending), a full overview filing containing the information delineated in Puc 206.08(a), to include all capital and all expenses for the prior year. This shall be filed pursuant to Puc 203.07(a)(1), and delivered with an executive summary with high-level spending categories along with the appropriate supporting detail. If the

Company's spending is under budget, the filing would be informational only, for the benefit of the Commission and stakeholders, to track the Company's spending. The Commission or stakeholders may request a Company review of this information, but it would be non-adjudicative and would not delve into questions of prudency; but rather, to gain an understanding of core capital for operations, core capital operations support, and overhead with appropriate subcategories with further details to be worked out with the parties.

If the Company's Capital Expenditure Cap or Overhead (O&M) Cap (discussed below) is exceeded, a Mandatory Annual Expenditure Review would be launched, through which a full prudency review of all of the previous calendar year's expenditures, capital or expenses or both, would be initiated, and would terminate at the end of that calendar year. To be clear, if the capital budget was exceeded, there would be an adjudicative capital prudency review; if the overhead budget was exceeded there would be an adjudicative overhead prudency review. Overhead overspending does not launch an adjudicative capital review and capital overspending does not launch an adjudicative overhead review.

In connection with this, we now refer to the updated capital budgeting chart provided in the Company's attachment RR-006(b), REVISED, provided in response to the Commission's Record Request 6 (these figures are further updates to figures provided in response to Record Request 1, and in Hearings Exhibits 9 and 11). We therefore establish, to ameliorate rate shock, an annual $250 million dollar cap on all Core Capital (Core Capital for Operations (A) and Core Capital-Operations Support (B), *see* Attachment RR-006(b)(REVISED), page 12) for the calendar years 2026, 2027, and 2028.

If these capped figures were to be exceeded by the Company, as stated above, a full Commission prudency review of all of the previous calendar year's capital expenditures would be initiated, with parties being able to challenge the Company's expenditures in that proceeding. If the Company is below these caps, no prudency challenge by other parties for that year shall be permitted until the Company's next rate case, in 2029.

In the case of O&M, we apply the 2023 test-year O&M, as adjusted pursuant to the various adjustments in this Order, and allow a 1 percent increase each year before any adjudicative process would be launched.

This approach offers a fair balancing between the Company's stated desire, through alternative regulation, to have more earnings predictability and more flexibility to spend in most appropriate places, and on the other side of the balance, protecting the customers of the Company from rate shock and imprudent O&M and capital expenditures.

For the alternative regulation formula itself, we essentially adopt the Company's formula, with certain modifications made to the inputs, as discussed below. In particular, the Commission has eliminated the "K-Bar," but to provide the Company with sufficient revenue in its market, the Commission has provided the Company's derived X-factor of negative 0.0142.

COMMISSION-ESTABLISHED ALTERNATIVE REGULATION FORMULAS

Distribution Revenue Requirement

$$DRR_t = DRR_{t-1} * AIA_{FYP} + Z_t - ESM_{FYP}$$

Where:

DRR_t = ***Distribution Revenue Requirement*** for the 12-month period beginning August 1st of each year. First DRR_t begins August 1, 2026.

DRR_{t-1} = approved ***Distribution Revenue Requirement*** in the prior 12-month period, beginning with $519 million for the 12-month cast-off period beginning August 1, 2025.

AIA_{FYP} = $(1 + I_{FYP} - X - CD_{FYP})$

I_{FYP} = Full Year Prior US Gross Domestic Product Price Index (GDP-PI), beginning with the full year of 2025 as compared to full year 2024[10]. Must be between zero and 5%.

X = Productivity Factor[11], fixed at -0.0142 (-1.42%).

CD_{FYP} = Consumer Dividend, fixed at 0.0015 (0.15%) if I_{FYP} exceeds 2%.

Z_t = exogenous cost adjustment[12], threshold of $1.5m.

ESM_{FYP} = Earnings Sharing Adjustment[13] where customers receive 75% of the company's ROE exceeding 9.75%. The first ESM_{FYP} is the 12-month period beginning August 1, 2026 using the company's full year 2025 ROE.

Operating Revenue Requirement

Where:

$ORR_t = DRR_t + OR_{FYP}$

ORR_t = total ***Operating Revenue Requirement*** for the 12-month period beginning August 1st of each year. First ORR_t begins August 1, 2026.

DRR_t = ***Distribution Revenue Requirement*** for the 12-month period beginning August 1st of each year. First DRR_t begins August 1, 2026.

OR_{FYP} = Other Revenue as defined by the company; sales for resale, provision for rate refunds, late payment charges, miscellaneous service revenues, rent from electric

[10] GDP-PI inflation is the percentage difference of the 4 quarter simple average for the full year prior and full year prior-1 time periods ((FYP)-(FYP-1))/(FYP-1), as published by The Bureau of Economic Analysis in April of current year (t) for effect for the 12 month period beginning August 1, with the first implementation beginning August 1, 2026.

[11] This represents an industry wide productivity factor that accounts for the special properties of electric utilities at this time.

[12] Specific cost changes from state or federal governments, regulatory cost reassignments, or changes in accounting rules. It is the only factor that can be forward looking (time t) since changes of this sort can be known and measurable prospectively.

[13] The ESM credits customers with a 75% share of ROE beyond a 25-basis point threshold (.25%) on the authorized ROE (9.5%). Thus, Eversource will return 75% of ROE in excess of 9.75%. The ROE is calculated with the full year prior, with the first opportunity for a return beginning August 1, 2026, based on the full year prior 2025. The impact of this adjustment would be excluded in calculating the subsequent year's return, in effect, this is an annual one-time adjustment each year if the company's ROE exceeds 9.75%.

property, other electric revenue, revenues – transmission of electric others, based on the full year prior. First OR_{FYP} begins August 1, 2026 and is based on 2025 actuals.

We again note that the Distribution Revenue Requirement is the customer perspective and is used to calculate customer *distribution rates.* The Operating Revenue Requirement is the Company perspective, and is used to calculate the *company's returns*; rate-of-return, return on rate base, weighted average cost of capital, return on equity, and return on debt, etc.

The most important shifts in the Commission's approach to the alternative regulation formula's implementation, in this modified framework, is a modification to the "cast-off" rates established effective August 1, 2025; the elimination of the "K-Bar" adjustment sought by the Company; and the re-introduction of the "X" factor of negative 0.0142. It is the Commission's conclusion that the annual rate support provided by the alternative regulation formula adjustment mechanism is of the most importance to the Company as a factor in addressing earnings attrition related to capital investments. *See New England Tel. & Tel. Co. v. State*, 113 N.H. 92, 97 (1973) (*citations omitted*). We also have an obligation to address the "traditional regulatory balance which does not unfairly benefit or disadvantage utility consumers, utility investors, and other stakeholders." Puc 206.06(b)(3). By eliminating the "K-Bar," we address a core issue raised by the party opponents to Eversource's alternative regulation proposal, and help to ameliorate any deleterious rate impacts on Eversource's customers from alternative regulation. Critically, this approach is simple and transparent and avoids a potential future source of regulatory problems associated with the "K-Bar" approach. Also, having reviewed the Company testimony of the "X" factor reflecting economic factors in the overall industrial economy, and meant to simulate the economic conditions faced by Eversource, we have re-

introduced it at the negative 0.0142 level discussed by Kolesar and Ros as being appropriate.

For the first "cast-off" distribution revenue requirement to take effect as of August 1, 2025, we hereby specify that the total revenue requirement, which includes both the permanent revenue requirement increase and the first implementation of the alternative regulation annual rate increase is to be $519 million, with customer rates to be calculated accordingly.

We leverage Exhibit 4 to summarize the $519 million "cast-off" rate for the 12 months beginning August 1, 2025.

August 1, 2025 "Cast-off" Distribution Revenue Requirement	
2023 test year distribution revenue requirement (a)	$ 418,343,492
Temporary revenue requirement increase effective August 1, 2024 (b)	$ 61,238,671
Temporary distribution revenue requirement effective August 1, 2024 (c)	*$ 479,582,163*
Distribution revenue requirement increase effective August 1, 2025 (d)	$ 39,417,837
Distribution Revenue Requirement "Cast-off" effective August 1, 2025 (e)	***$ 519,000,000***
(a) Based on actual sales for the 12 month period ending Dec 31, 2023 and reflects	
distribution rates effective August 1, 2023 for the entire test year	
(b) From Attachment ES-REVREQ-1 (Temp) Sch. 1, line 32 Col (c)	
(c) Temporary distribution rates for the 12 month period beginning August 1, 2024	
(d) Approved distribution revenue requirement increase in DE 24-070 for the	
12 month period beginning August 1, 2025	
(e) Distribution revenue requirement for the 12 month period beginning August 1, 2025	

For subsequent alternative regulation rate adjustments, to take effect on August 1, 2026, August 1, 2027, and August 1, 2028, the Commission-established alternative regulation formula is to be applied to the Company's revenue requirement, beginning with the "cast-off" rate, to derive customer rates. For the "I" inflation component, we adopt the Company's proposed approach to this variable, which means GDP-PI inflation is the percentage difference of the 4 quarter simple average for the

full year prior and full year prior-1 time periods ((FYP)-(FYP-1))/(FYP-1), as published by The Bureau of Economic Analysis in April of current year (t) for effect for the 12 months beginning August 1, with the first implementation beginning August 1, 2026. This data is to be gathered by the Company as of April 1 of the given rate year, so that GDP-PI is finalized for the prior calendar year. For Exogenous Events ('Z'), to ring-fence the applicability of this element within reasonable bounds, we apply the Commission's definition established in Order No. 25,123 (June 28, 2010), 95 NH PUC 318, 326-327, which applied a definition as "various specific cost changes from state or federal governments, regulatory cost reassignments, or changes in accounting rules," while applying the same $1.5 million revenue-requirement applicability floor proposed by the Company.

We also adopt the Company's approach to the Earnings Sharing Adjustment (ESM) feature, as a fair balancing of investor and customer interests as delineated in this order. However, for the performance metrics to be applied by the Company for gauging the success of alternative regulation, the Commission hereby specifies that the only metrics to be applied are to be SAIDI and SAIFI, with other metrics to not be applied by the Company. Furthermore, in response to the concerns raised by the DOE and others, we hereby specify that the benchmarking for these metrics is to be reverted to one standard deviation, for all operating regions of the Company. The Commission cautions that while the application of performance metrics for this limited purpose within the alternative regulation framework is beneficial, we are concerned with the evidence, as presented by the other parties, indicating the tendency (as seen in other states) for these metrics to proliferate, and that the metrics are not necessarily structured to serve customer interests. We do accept that reliability of

service is a core customer concern for the Company's customers, thereby making these metrics of special relevance to this alternative regulation framework.

(For the definitional issues regarding "troubles" and "outages" raised by the DOE for the purposes of these metrics, we will defer these matters to the ongoing Storm Cost proceeding dockets involving the Company).

Finally, while Core Capital has been discussed in detail above, we require a different process for Distributed Energy Resource (DER) and "Incremental Program" investments. While Core Capital is central to the Company's long standing traditional business, Distributed Energy Resources and "Incremental Programs" are relatively new, are expensive, and require more regulatory scrutiny. To accomplish this, the Commission requires an annual review of Distributed Energy Resources and "Incremental Programs" planned capital spending for each of the next 5 years and a prudency review for the calendar year just completed, with the first review no later than May 31, 2026. In particular, we underscore the Company's commitment to follow the RSA 374-G process in seeking prudency reviews, and cost recovery, for its Company-Owned Solar Investments. We further specify for the Grid Mod/VVO, Resiliency; and Co-Optimization Projects, proposed by the Company, as listed in Attachment RR-006(b) as "Incremental Programs", Page 12, as provided in the Company's response to Record Request 6, these categories of projects are to also follow a RSA 374-G-type approach, wherein, there would first be an annual Commission filing for an initial prudency and cost-recovery review, with a subsequent annual final prudency and cost-recovery review to follow. This is a condition precedent for our approval of this alternative regulation framework.

This framework, and our general approval of the Company's rate case (with conditions) is by no means an *a priori* endorsement or approval of the Company's "Distribution Solutions Plan," as presented in Hearing Exhibit 9, or elsewhere.

C. Other Rulings Regarding Eversource Business and Rate Parameters

For the Fee Free program, the Commission examined the OCA analysis of this program, wherein the OCA recommended that the Company's absorption of the credit- and debit-card processing fees for its customers paying bills electronically or over the phone, the costs for which are then passed on to all Eversource customers, should be terminated. Docket Tab #283 at 33-34. The Company's arguments do not convince us, Hearing Exhibit 9, Bates Pages 2254-2257, that this amenity, the costs for which are absorbed by the other customers of Eversource through rates, is a necessary element of the provision of utility service to its customers. In fact, we concur with the OCA that this constitutes an impermissible subsidization of the consumer preferences of some customers by others, without adequate justification, in violation of the governing standards. *See Unitil Energy Systems, Inc.*, Order No. 26,623 at 27-28 (May 3, 2022), *citing Plaistow Elec. Light & Power Co.*, 8 N.H.P.S.C. 509, 510 (1922) (other citations omitted); RSA 378:10, :11. We therefore ORDER that this program be terminated as of August 1, 2025, with the requisite fees being charged to customers using credit or debit cards going forward. Also, the under-collection in the program, currently referenced by the Company at $528,009 (Hearing Exhibit 9, Bates Page 2256), is to be tabulated through July 31, 2025, and then included in the Company's RRA for recovery, for amortization over two years.

Another matter that we face in reviewing the Company's proposal is that related to cross-subsidization of rates in the context of the Company's fixed charges. The

Company proposed an increase in the fixed monthly residential customer charge from $13.81 to $19.81 (the Company, through temporary rates, received approval for an increase in this charge to $15.00). As presented in the testimony of Ms. Amparo Nieto on behalf of the Company, Hearing Exhibit 9, Bates Pages 19,205 through 19,206; Hearing Exhibit 10, Bates Pages 124-130; Docket Tab #289 at 124-126, the Company applied its Minimum System Method for its Allocated Cost of Service study, used in deriving its proposal for the fixed customer charge. Ms. Nieto also filed as testimony, on behalf of the Company, a Marginal Cost of Service Study that indicated to adequately cover the cost of service for residential customers under that methodology, (marginal costs plus facilities cost per customer, or $18.14 plus $24.76 per month), $42.90 per month would be required. Hearing Exhibit 9 at Bates Pages 19,253 through 19,277; 19,290 *esp.* 19,290. Ms. Nieto further stated, "I would recommend at this time gradually increasing customers' distribution fixed charges towards the sum of monthly marginal costs plus facilities costs, taking into account bill impacts." *Id.* at Bates Page 19,278.

In opposition to the Company's proposal on this issue, AARP's Mr. Bradley Cebulko presented an alternative methodology to the Company's Minimum System Method for determining marginal cost of service, using Mr. Cebulko's Basic Customer Allocated Cost of Service Study. Hearing Exhibit 32, *passim.* On this basis, AARP recommended that the Commission revert the current $15.00 residential customer fixed charge to the $13.81 level. *Id.*; Docket Tab #281. The OCA, through the testimony of Ms. Caroline Palmer, the OCA's consultant, recommended that the Company maintain its residential fixed charge at $15.00 per month, with the residential volumetric rate increased as necessary to achieve the required revenue

requirement increase. Hearing Exhibit 26 at Bates Page 29. Ms. Palmer's analysis pointed to alleged defects in the fixed customer charge analysis presented by the Company, alleging that: the Company's Minimum System methodology does not align with the Company's definition and treatment of customer costs; inflates the costs classified as customer-related; and is unsound as the basis for determining cost causation. Hearing Exhibit 26 at Bates Page 8; *passim*.

The DOE offered its general support to the Company's ongoing use of the Minimum System Study method for deriving the fixed customer charges, in keeping with the allocated cost of service approach, and as also being in line with an endorsement of the National Association of Regulatory Utility Commissioners of the methodology. *See* DOE Testimony of Mr. Clark, Hearing Exhibit 14 at Bates Pages 14-19; Hearing Tab #286 at 75-77; Hearing Exhibit 10 at Bates Page 128. In its Closing Statement, and through its testimonial presentations, the Company defended its cost-of-service and rate-design methodologies in this context, and its recommendation for the fixed customer charge presented therein. Hearing Exhibit 10, Bates Pages 124-130; 151-153; Docket Tab #289 at 123-126. The Company argued that "[t]he Company has proposed residential customer charges that seek to balance all of [the other parties'] concerns while reducing intra-class cross subsidies and continues to support proposed residential customer charges." Docket Tab #289 at 127.

Having reviewed the record regarding these issues and the arguments of the parties, the Commission concurs with the Company's witness, Ms. Nieto, that the "gold standard" for cost allocation in rate design is the marginal cost-of-service approach, as outlined by the Company. This produces an expected fixed customer charge for residential customers of $42.90 per month, compared with the current

$15.00 customer charge. To begin approaching the $42.90 per month called for in the Company's marginal cost of service study, the Commission must begin increasing the fixed customer charge. Therefore, first, we APPROVE the fixed customer charge proposal by the Company for a $19.81 fixed customer charge for the Residential class, adopting the reasoning of the Company and the DOE in doing so, effective August 1, 2025. Second, we ORDER that the Company increase this fixed customer charge by $2.00 every year, effective August 1 of each year, until otherwise ordered by the Commission. In our view, this will enable the Company to close some of the gap and result in a fixed customer charge that more appropriately reflects the marginal cost of service.

Regarding the overall rate design of the Company's proposal, aside from the fixed charge for Residential customers, and subject to the proviso that the actual rates will be adjusted based on the Commission's rulings presented in this Order, we APPROVE the Company's overall rate design as just and reasonable, while acknowledging the concerns expressed by the DOE regarding TOU rates, *see* Docket Tab #286 at 75-76, as potentially warranting further study in the future.

The Company also presented, as part of its alternative regulation proposal, requests for inclusion of various categories of costs in Eversource's base rates as opposed to annual rate adjustments (through the RRA, System Benefits Charge, 'SBC', Vegetation Management variance adjustments, included in the RRA, and the Pole Plant Adjustment Mechanism 'PPAM', included in the RRA as well). *See* Docket Tab #289 at 30-31; Hearing Exhibit 9, Bates Pages 1621-1633. The Company stated that it seeks to include a "representative level of expenses" in its base rates for the categories of (1) Regulatory Assessment and Consultant Costs; (2) the Fee Free program; (3) the

Company's New Start arrearage management program; and (4) Rate Case Expense in the Company's base revenue requirement, and reconcile any over- or under-recoveries at the time of the Company's next base distribution rate case. *Id.* For these further categories of expenses—(5) Property Tax Expense; (6) Vegetation Management Costs; (7) Lost Base Revenues associated with energy efficiency programs; and (8) PPAM—the Company also proposed to include these costs in base rates, but stated that it would not seek to reconcile (or collect) any over- or under-recoveries at the time of the Company's next base distribution rate case, or through the respective reconciling mechanisms for these items, noting that, "[i]nstead, the Company will assume the risk associated with recovery of these costs." *Id.*

To avoid confusion, the Commission will address these proposals by category of collection mechanism; that is, by category of annual rate mechanism. The RRA, as previously mentioned in the discussion of DOE-recommended Adjustment 13, above, WILL CONTINUE to be in place for the collection of Rate Case Expenses, as recommended by the DOE. The Company's accounting for these expenses shall be filed by the Company pursuant to the requirements of N.H. Code Admin. Rules Chapter Puc 1900. Likewise, the Commission rules that for Regulatory Assessments, the Company SHALL continue to collect, and reconcile, these figures through the RRA, for transparency and real-time tracking of costs, in the Commission-established alternative regulation framework. As indicated for the Fee Free program, above, and the New Start program, below, final reconciliations for these programs SHALL be accomplished through the RRA.

Likewise, due to ongoing litigation regarding Storm Costs (as described below), the RRA SHALL be 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 Commission through a Storm Cost review proceeding.

For PPAM, the Commission hereby RULES that these costs, going forward, shall be embedded in the distribution revenue requirement established by the Commission.

For Property Tax expense, historically collected by the Company through the RRA, the Commission does concur with the Company that the transfer of a "representative level of expense" for Property Tax to the Company's base rates, to be accommodated through the revenue stream provided by the ongoing Commission-established alternative regulation framework, would be appropriate until the Company's next full distribution rate case. However, as mentioned for DOE-recommended Adjustment #19, discussed above, there shall be a deferral of collection related to unaudited Property Tax, the reconciliation for which shall be accomplished through the RRA. The Property Tax figure applied to base rates shall be adjusted accordingly.

Likewise, for the Lost Base Revenue component ascribed by the Company for net metering, collected through the RRA, and the Lost Base Revenue component ascribed by the Company for Energy Efficiency, we accept the Company's request to "eliminate the lost base revenues from the SBC and the RRA," Hearing Exhibit 9 at Bates Pages 1631, and accept the Company's proposal to embed the Lost Base Revenue components into the overall distribution revenue requirement established under the alternative regulation framework. *Id.* Therefore, the Commission RULES that Lost Base Revenue reconciliations shall NOT be included in the SBC and RRA for recovery, going forward, as of August 1, 2025.

(The Commission further rules, for clarity, that the ongoing collection of Energy Efficiency and other programming costs (e.g., EAP), as established by the Legislature through the requirements of RSA 374-F:3, VI-a., shall be accomplished by the Company through a continuation of the SBC rate and related process).

Vegetation Management was addressed by the Company in two sub-components as part of its rate proposal; for the annual program cost variance usually addressed through the RRA, the Company, as part of its proposed alternative regulation framework, proposed to eliminate this Vegetation Management reconciliation sub-component of the RRA. Hearing Exhibit 10, Bates Pages 877-878. The Company further proposed to establish, within the Company's base revenue requirement, accommodation for $43.2 million in annual Vegetation Management expense. Hearing Exhibit 10 at Bates Page 877. The Company further proposed to continue to provide the Commission with a yearly Vegetation Management plan filing on November 15, to facilitate ongoing program review. Hearing Exhibit 9 at Bates Page 2239.

The Company, in justifying the ongoing continuation of the Vegetation Management program at the proposed $43.2 million base rate spending level, stated that the program "...can help mitigate tree-related outages and achieve an increased level of reliability on both blue-sky days and during major [storm] events...," Docket Tab #289 at 31, *citing* Hearing Exhibit 9, Bates Pages 2212-2213; 5/14/2025 Tr. at 213-214.

The Company's Vegetation Management program proposals attracted some critiques from other parties to this proceeding. The DOE, in addition to its overall opposition to the Company's alternative regulation framework proposal, stated that it

opposed any cost increase in Vegetation Management expenditure beyond $43 million, which was the level of expenditure for the 2023 test-year, due to concerns about cost escalation and the effectiveness of the Company's program. Docket Tab #286 at 56-61, *citing* Hearing Exhibit 17, Bates Pages 64-65. The DOE further recommended that annual reconciliations of the Vegetation Management program spending, beyond that accommodated in base rates, continue. *Id*. The OCA, through the testimony of Mr. Charles Underhill, PE, Hearing Exhibit 25, recommended a series of enhancements to the Company's Vegetation Management program, due to program and reliability deficiencies perceived by Mr. Underhill, including a $5.5 million recommended increase in Vegetation Management spending. Hearing Exhibit 25 at Bates Pages 14-15.

From the Commission's perspective, we concur with Mr. Underhill of the OCA that Vegetation Management is both a valuable program for the Company, and also, that there are evident gaps in the reliability picture for the Company, *see* Hearing Exhibit 25, Bates Page 4. The Company's testimony also indicated the need to enhance reliability, through Vegetation Management, in the northern and western Operating Regions of the State. To accomplish this task, the Commission hereby RULES that the Company shall cover its Vegetation Management requirements through its base rates, as adjusted by the Commission's alternative regulation rate formula. It is the Commission' s expectation that the Company will continue to spend at least $42 million on Vegetation Management annually. *Contra* Hearing Exhibit 9, Bates Page 1929, the Company is to track SAIDI and other reliability metrics on a one-standard-deviation, rather than a two-standard-deviation, basis. If any of the Company's Operating Regions falls below the applicable reliability standards for any

given year, as indicated in the Company's annual November 15 Vegetation Management Program review filing, a $1.5 million (revenue-requirement) penalty shall be assessed, to offset the next year's alternative regulation rate adjustment. The Commission clarifies that no offset resulting from exceeding the performance standards shall be used to reduce these penalties, *contra* the Company's request for offset credits, *see* Hearing Exhibit 9, Bates Page 1930.

For the New Start "arrearage management" program, which provides assistance to Eversource customers in arrears with their bills, the Company proposed to have the expenses associated with this program recovered in base rates, while sun-setting the reconciliation of program expenses through the RRA (and having reconciliation be accomplished in the Company's next full distribution rate case). The Company stated that as of July 31, 2024, there was an under-collection of $4.9 million associated with the New Start program, which the Company proposed to amortize in its base rates on a 5-year amortization schedule. Hearing Exhibit 9 at Bates Pages 1568-1569; 1579-1580; 1697-1698. The Company also provided a justification of the New Start Program as a successful means of limiting Bad Debt expense and addressing customers' arrearages. Docket Tab #289 at 32-33; Hearing Exhibit 9 at Bates Pages 2258-2264. The DOE provided its support for continuation of the New Start program, with the adjustment that annual over- or under-collections continue to be reconciled through the RRA. Hearing Exhibit 20 at Bates Pages 23-25. The OCA also indicated its support for the New Start program, Docket Tab #283 at 34, along with AARP, along with Mr. Roger Colton, who filed testimony in support of New Start on behalf of Ms. Kramer, Hearing Exhibit 33, *passim; see also* Docket Tab #284, *passim*.

Having reviewed the record involving New Start, and the benefits pointed out by the parties associated with the program, the Commission also seeks to balance concerns relating to ballooning program expenses, and a current $4.9 million program under-collection. *See* Hearing Exhibit 9, Bates Page 2263 (Calendar Year 2022 program expense, $1.7 million; Calendar Year 2023 program expense, $3.6 million; Calendar Year 2024 program expense [forecast]; $4 million); $4.9 million New Start under-collection referenced at Hearing Exhibit 20 at Bates Pages 24-25; Hearing Exhibit 9 at Bates Page 1579-1580. The Commission thereby RULES that the New Start budget is to be $2.5 million annually, beginning January 1, 2026. Any cost overruns beginning January 1, 2026, will be a shareholder expense. The existing cost overrun (under-collection) of $4.9 million will be recovered in the RRA over three years (as opposed to the 5 years recommended by the DOE and the Company). The Company can also recover any additional cost overruns incurred up to December 31, 2025, in the RRA over a 12-month period. The Commission urges the Company and stakeholders to work with the Community Action Agencies to explore synergies and efficiencies between New Start and the Electric Assistance Program (EAP). Furthermore, the Commission urges the Company to consider applying conventional arrearage-management methods, such as payment plans and the like, as appropriate, to control New Start program expense and to ensure that it meets its budget.

On Depreciation, the Company's Depreciation witness, Mr. Spanos, received some technical critiques from Dr. Vatter of the OCA, who "recommend a downward adjustment based on the relationship between [the Company's] [WACC] and cost minimizing timing of physical asset retirement." Docket Tab #283 at 14; Hearing Exhibit 23, *passim*. The DOE extended its support to the Company's Depreciation

accounting and analyses, subject to the condition that the Depreciation calculations be updated to incorporate the DOE-recommended adjustments to rate base. Docket Tab #286 at 61-62; Hearing Exhibit 20 *passim*.

Having reviewed the record and arguments before us, the Commission hereby APPROVES the Depreciation calculations and methodologies presented by the Company, including through the testimony of Mr. Spanos, with the proviso that the Depreciation schedules SHALL be updated by the Company to incorporate the rate adjustments and recalculations addressed herein no later than August 11, 2025.

The Commission also determines, as part of its responsibilities for this Eversource rate case, the universal interest rate that is to be assessed to: Eversource reconciliation accounts, including those accounts associated with the Company's Transmission-related charges assessed to its distribution customers, and those accounts related to the provision of default Energy Service; all deferral accounts in general; and all other applicable "carrying charges." Historically, through settlement agreements approved by the Commission for past rate cases, this interest rate has been assessed at the Prime Rate; in today's interest rate environment, the Commission finds that the Prime Rate has deviated from the Company's actual blended cost of debt, to the detriment of the customers of the Company. Therefore, effective August 1, 2025, the interest rate to be applied to all deferral and reconciliation accounts for the Company's operations is to be the average cost of debt for the Company, to be calculated using the same overall weighting methodology as for the WACC in the capital context. This will offer a fair balancing of the interests of customers and the Company's shareholders, most especially as the weighted average cost of debt reflects the true cost of these carrying charges within the Company's operations. The

Company SHALL provide an update on this figure annually, as part of its ongoing RRA filing, and to update all carrying charge schedules accordingly.

Also, in the interest of accuracy and reasonableness in ratemaking, aside from our previous ruling that billing determinants going forward are to be weather-normalized, see our discussion of Adjustment 6, above, we reiterate that billing determinants, *contra* the Company's stated proposal to apply the test-year 2023 billing determinants indefinitely, *see* Hearing Exhibit 12 at Bates Pages 11-12, are to be updated as of the August 1, 2025 effective date of the base distribution rate increase, as part of the Company's August 11, 2025 recalculation of rates ordered herein, and are to be updated, and incorporated into the rate updates, for each March 1 alternative regulation adjustment filing going forward.

Regarding the matter of recoupment, or reconciliation of temporary rates to permanent rates by the Company, as ordered by the Commission in Order No. 27,041, this reconciliation shall be established pursuant to RSA 378:29, at the conclusion of the permanent rate proceeding, as established by this order. Order No. 27,041 at 5. The Commission hereby specifies that the permanent rates to which this reconciliation shall be calculated by the Company are to be reported by August 11, 2025, based on section II.A.1 of this order. To clarify, the permanent rate to which recoupment shall pertain is that associated with the 2023 test-year revenue requirement, and NOT the folding-in of the 2024 and 2025 incremental "cast-off" revenue requirement associated with implementation of the alternative regulation framework. The recoupment shall be recovered by a one-year surcharge by the Company, after a review, through the RRA.

It is clear that there are a great many reporting requirements extant, or being established by this instant order, to be complied with by the Company. The Company

is therefore ORDERED, in consultation with the DOE, to prepare a Table of Filings to be filed by the Company in the upcoming alternative regulation rate period, to be filed by August 29, 2025. In doing so, the Company may refer to a recent Liberty Utilities filing along those lines, Docket No. DE 23-039, Hearing Exhibit 31, which provides a table with the expected regulatory filings that would be submitted in 2025, 2026, and 2027, including the expected filing date, the anticipated Commission Order date, and the rate effective date, as applicable. For Eversource, such a Summary Schedule would reference the years 2025, 2026, 2027, 2028, and 2029.

Given the large number of recalculations necessitated by these rulings by the Commission to the Company's rates to be implemented as of August 1, 2025, we hereby ORDER the Company to incorporate these recalculations into its Compliance Tariff filing for these rates, to also be made no later than **August 11, 2025**. The Company is also directed to include all recalculated revenue requirement and rate tabulations as part of this filing, including all updated recoupment schedules.

D. Ongoing Issues Involving Eversource Being Addressed by the Commission through Other Proceedings

For the issues related to the major Storm Cost litigation, being addressed in DE 24-041 and DE 25-021 proceedings, having reviewed the DOE recommendation to accept the Company proposal to increase the level of storm costs recovered in base rates from the $12 million allowed by the Commission in Docket No. DE 19-057 to $19 million; Hearing Exhibit 9 at Bates Pages 1570, 1699-1700; Hearing Exhibit 42 at Bates Pages 66-67; the Commission hereby ADOPTS the Eversource proposal to embed this $19 million in costs into the revenue provided by the alternative regulation framework. Regarding all other storm-cost proposals and recommendations made by the Company and other parties to this proceeding, the Commission hereby DEFERS

all other rulings regarding Storm Cost amortizations and treatments, pending the outcome of the litigation in DE 24-041 and DE 25-021.

For the 2024 Capital Additions issue, addressed in the Commission's April 15, 2025 Procedural Order, Docket Tab #188, following litigation between the Company and the DOE, wherein the Company agreed to remove these plant additions from the base rate adjustment contemplated here, the Commission ruled in that Procedural Order that it would consider these additions in a future phase of this instant Docket No. DE 24-070 rate proceeding. A hearing on the merits has been scheduled for October 16, 2025, with discovery to commence on August 1, 2025. By way of clarification, RSA 365:28, the Commission hereby RULES that the $519 million alternative regulation distribution revenue requirement adjustment is meant to incorporate the costs associated with these 2024 Company investments in plant; and therefore, while the upcoming review of the 2024 investments shall continue as a prudency review, no discrete surcharge to the Company's rates shall issue as a consequence of this review, either through the RRA or otherwise; *see* Docket Tab #188 at 4-5. Any finding of imprudency would result in a modification of the Company's rate base, but no adjustment to the Alternative Regulation framework revenue requirement would result.

Based upon the foregoing, it is hereby

ORDERED, that the Eversource proposals regarding its permanent distribution rates are APPROVED IN PART, subject to the exclusions and conditions delineated in this Order, including the modifications made by the Commission to the alternative regulation framework; and it is

FURTHER ORDERED, that Eversource shall file a recalculation of its rates pursuant to the terms of this Order, including all necessary supporting schedules and recoupment calculations, no later than August 11, 2025; and it is

FURTHER ORDERED, that Eversource's permanent rates are to be reconciled to temporary rates approved in Order No. 27,041 (July 31, 2024), consistent with RSA 378:27, 378:28, and 378:29, subject to the conditions and limitations delineated in this Order; and it is

FURTHER ORDERED, that Eversource shall file a Table of Filings by August 29, 2025, as delineated in this Order; and it is

FURTHER ORDERED, that the interest rate for all Eversource carrying charges shall by the weighted average cost of debt for the Company, as updated annually and as delineated in this Order; and it is

FURTHER ORDERED, that pursuant to N.H. Code Admin. Rules, Puc 1905.02 and 1905.03, Eversource shall file its request for recovery of its rate case expenses within 30 days of the issuance of this Order, or August 25, 2025; and it is

FURTHER ORDERED, that Eversource shall file Tariffs conforming to this Order within 15 days of the date of this Order, or August 11, 2025, pursuant to N.H. Code Admin. Rules, Puc CHAPTER Puc 1600.

By order of the Public Utilities Commission of New Hampshire this twenty-fifth day of July, 2025.

Daniel C. Goldner	Pradip K. Chattopadhyay	Mark W. Dell'Orfano
Chairman	Commissioner	Commissioner

APPENDIX 1: PROCEDURAL HISTORY

In accordance with RSA 378, Eversource filed a distribution rate case on June 11, 2024. In response to the Petition, the OCA and the DOE filed letters of participation and notices of appearances. Pursuant to the Order of Notice, Order No. 27,079 (June 28, 2024), interested parties had until July 12, 2024 to file petitions to intervene, with objections to be filed by July 18, 2024. The Commission received the following petitions to intervene:

1) Clean Energy of New Hampshire—Filed on June 12, 2024 (Docket Tab #5)
2) Standard Power of America—Filed on June 26, 2024 (Docket Tab #10)
3) Walmart, Inc.—Filed on July 9, 2024 (Docket Tab #16)
4) New England Connectivity and Telecommunications Association Inc.—Filed on July 10, 2024 (Docket Tab #18)
5) Community Power Coalition of New Hampshire—Filed on July 12, 2024 (Docket Tab #19)
6) Conservation Law Foundation—Filed on July 12, 2024 (Docket Tab #20)
7) Rate LG Customer Consortium—Filed on July 12, 2024 (Docket Tab #21)
8) Mary Ellen O'Brien Kramer—Filed on July 12, 2024 (Docket Tab #22)
9) Aleksandar Milosavljevic-Cook—Filed on September 10, 2024 (Docket Tab #47)

On September 5, 2024 and September 13, 2024 the Commission granted the petitions to intervene without restriction. *See* Order No. 27,054 (September 5, 2024); Docket Tab #49.

On July 19, 2024, Eversource, OCA, and the DOE filed a negotiated settlement concerning temporary rates. On July 25, 2024, the Commission held a duly noticed hearing on Eversource's request for temporary rates. The Commission granted the waiver requested by the Company for review of the late-filed temporary rate Settlement Agreement in a bench ruling. The Company and the DOE presented sworn witnesses to offer hearing testimony in support of the temporary rate Settlement Agreement, and the OCA also made oral hearing statements in support of the temporary rate

Settlement Agreement. Two Eversource ratepayers, Ms. Kristine Perez and Mr. Paul Lutz, commented on the record, urging the Commission to review the Company's rate-increase proposals carefully in light of the cost hardships faced by many Eversource ratepayers such as themselves.

On July 31, 2024, the Commission issued an order on temporary rates. *See* Order No. 27,041. The Commission found that the supplemental temporary rate Settlement Agreement schedules filed by the Company on July 19, 2024, and the positions elucidated by the Company, the DOE, and the OCA within the temporary rate Settlement Agreement and at the hearing were persuasive. The Commission ordered a temporary increase to Eversource's annual revenue requirements of $61,238,671. In making this determination, the Commission found that the temporary rates appropriately balanced the interests of Eversource's customers with the interests of its shareholders and that the record justifies the increase based on the books and records of the Company, as traced to the Company's FERC Form 1 on file with the Commission. *See* Order No. 27,041 at 4.

From August through December 2024, the parties engaged in initial discovery. Furthermore, a procedural schedule for the duration of the proceeding was established. *See* September 27, 2024 Procedural Order at Docket Tab 57. The procedural schedule combined the parties' requested dates for discovery and final hearing, while also reviewing, amending or incorporating, the Commission's previously established dates for Commission attended prehearing technical sessions, filing deadlines for settlement agreements, and final hearing dates. *See id.*

Pursuant to RSA 374:4 and RSA 541-A:31, Commission prehearing technical sessions were held on October 2, 2024, October 3, October 8, November 19, and

January 7, 2025. Topics discussed at the Commission prehearing technical sessions included:

1) Eversource's proposal for performance based ratemaking pursuant to RSA 374:4,
2) Eversource's proposal on its distribution solutions plan;
3) Eversource's proposal on solar installations that would be built and owned by Eversource;
4) Eversource's proposal on vegetation management;
5) Eversource's cost of service/marginal cost study and general rate design;
6) Eversource's capital process; and
7) Eversource's proposal on depreciation.

During the prehearing technical sessions, the Commission engaged in discussion with the Company to better understand the material filed. Although transcripts of these proceedings were made, no sworn testimony was taken during these sessions.[14] Finally, in addition to the discovery occurring between the parties, Eversource responded to multiple Commission information requests.

On January 10, 2025, the DOE filed a partially assented-to-motion to amend the procedural schedule involving the timeline for filing testimony. The DOE argued additional time was needed to prepare its written testimony due to (1) untimely discovery responses received from Eversource; (2) work the DOE needed to perform in other Commission dockets; (3) a need to review its final audit report, which was set to be released by the DOE Audit Division on January 31, 2025, and (4) additional Commission record requests that arose from the Commission-led prehearing technical session on January 8, 2025. Eversource objected to the DOE's motion. Eversource asserted that the Company (1) relied on the schedule as set forth in Order No. 27,029

[14] Although not finalized when the prehearing technical sessions were commenced, the Commission's procedural rules, Puc 200, were readopted with amendment on January 24, 2025. The adopted procedural rules include definitions for Commission technical sessions (Puc 202.04), and Commission information requests (Puc 203.18).

and the procedural orders of the Commission issued on September 27, 2024 and November 5, 2024, respectively; and (2) disagreed with the DOE position that the discovery delay was Eversource's fault.

On January 17, 2025, the Commission issued a procedural order denying in part the DOE's motion to modify the procedural schedule. In making this determination, the Commission held that the approved procedural schedule was a byproduct of the Commission's orders of notice which established certain filing deadlines, including the settlement filing deadline and hearing dates, and the parties' own agreement as to the remaining discovery deadlines. The Commission determined that it was reasonable that Eversource had relied on the approved schedule including the dates for settlement conferences when planning its litigation strategy and managing workflow. Moving the previously approved dates, even without moving the final hearing date, was deemed unreasonable because it predisposed all parties' availability. Therefore, adherence to the previously established schedule was deemed critical to allow the Commission to continue the work of the Commission while providing this matter the necessary attention needed to effectuate a thorough review. The Commission did approve an additional date of February 7, 2025 for the DOE to file supplemental testimony to amend the preliminary testimony, filed by January 24, 2025, based on any additional or changed testimony that has arisen after review of the final audit. *See* January 17, 2025 procedural order at 3-4 at Docket Tab #117.

As required by the procedural schedule, on or before January 24, 2025, the Commission received testimony from witnesses for the OCA, AARP, Large Customer Consortium, Walmart, Inc., Mary Ellen O'Brien Kramer, and the DOE. However, the DOE notified the Commission on January 24, 2025, that it intended to file late

testimony on or before February 7, 2025. *See* January 24, 2025 DOE cover letter at Docket Tab #129. On February 7, 2025 the DOE filed a motion to accept late testimony and on February 10, 2025, the DOE filed the joint testimony of an additional seven witnesses. *See* Docket Tab #138 & Docket Tab #139.

As a result of the testimony received in January and February 2025, multiple substantive motions were filed. The motions included:

1) Community Power Coalition of New Hampshire's Motion to Compel Eversource to Respond to Data Requests (Filed on January 21, 2025, Docket Tab #117)
2) Eversource Energy's Objection and Motion to Strike and Exclude from the Proceeding the Direct Testimony of the Large Customer Consortium (Filed on January 30, 2025, Docket Tab #134);
3) Eversource Energy's Motion to Amend Procedural Schedule (Filed on February 5, 2025, Docket Tab #135)
4) Department of Energy's Motion to Accept Late Filed Testimony (Filed on February 7, 2025, Docket Tab #138)

The Commission held hearings to review the parties' motions on February 18, 2025 and February 20, 2025.

On February 21, 2025 the Commission denied CPCNH's Motion to Compel. *See* Order No. 28,106 at Docket Tab #151. The discovery dispute between CPCNH and Eversource involved disclosure of Eversource's Connecticut affiliates' wholesale operations. Eversource's argument that its wholesale load-settlement processes had no connection to Eversource's distribution rates in New Hampshire, and were therefore irrelevant to this proceeding, was found persuasive. *See Id.* at 6. Specifically, the Commission held that load settlement procedures for Eversource's wholesale energy supply operations and its operations in Connecticut related to interconnection agreements and the deployment of the 'Picolo' market platform were not distribution issues, and were therefore beyond the scope of the New Hampshire distribution rate

case and CPCNH Data Requests at issue in the motion to compel were not reasonably calculated to lead to the discovery of admissible evidence, insofar as the information sought by the Data Requests were not relevant to the scope of the proceeding. *See Id.*

Concerning the DOE's late testimony and Eversource's objection, after hearing from the parties the Commission granted the motion to accept the late filed testimony. *See* 2/18/25 Tr. at 53. The Commission further amended the timeline for Eversource to file its rebuttal testimony to March 7, 2025. *See Id.* Concerning Eversource's motion to strike the Large Customer Consortium's testimony, the Commission agreed with Eversource that the distribution rate case was not a suitable vehicle for the adjudication of questions relating to transmission-related subcomponents of the Company's Rates LG and B distribution rates. *See* March 10, 2025 procedural order at Docket Tab #165. However, the Commission denied Eversource's Motion to Strike, insofar as the Commission allowed the Large Customer Group's testimony to remain in the docket, though the Commission deferred any rulings on the issues raised therein. Additionally, the Commission opened an investigation regarding the matters brought forward by the Large Customer Group. *See* Docket No. IR 25-035.

The Commission was informed on February 27, 2025 that the parties had not reached a settlement agreement and the request for permanent rates would proceed to a final contested hearing on all issues. *See* Docket Tab #153. On March 10, 2025, Eversource filed its rebuttal testimony. *See* Hearing Exhibit 10, Docket Tab #166. On March 13, 2025 the Commission held a final prehearing conference with all parties. After hearing from the parties, the Commission agreed to postpone the final hearing dates from March/April 2025 to May/June 2025. In making this ruling, the Commission relied on Eversource's consent to waive the June 11, 2025 order deadline

required by RSA 378:6, I(a) to July 25, 2025 (with rates effective August 1, 2025). *See* Docket Tab #177.

Prior to the commencement of the final hearing, the Commission issued a procedural order on April 15, 2025 concerning the review and inclusion of Eversource's 2024 plant additions in the May/June hearings. The Commission determined that the 2024 plant additions, which were contained in the March 2025 Company testimony, had not been provided to either the DOE or the Commission with sufficient time to review prior to hearing. Furthermore, given that Eversource had reserved the right to argue alternatively, at the final hearing on permanent rates, for the option of foregoing the inclusion of 2024 capital additions in rate base effective August 1, 2025 due to its alternative regulation proposal under RSA 374:3-a, discovery and hearing on the 2024 capital additions could be determined moot after the order on permanent rates was issued. *See* April 15, 2025 Procedural Order at 4 at Docket Tab #188. The Commission ordered discovery to commence on the 2024 plant additions on August 1, 2025 and instructed the parties to submit by May 15, 2025, a proposed structuring statement pursuant to Puc 204.07 (c) & (d) to include a proposed procedural schedule for the review of the 2024 capital improvement projects that would conclude by October 1, 2025 to allow for an October 16, 2025, at 9:00 a.m., final hearing on the merits. Finally, Eversource was ordered to recalculate its proposed revenue requirement and accompanying schedules in DE 24-070 with the 2024 plant additions removed and file it with the Commission by April 29, 2025. *See* Id. at 5.

At the direction of the Commission, the parties filed witness lists and exhibits throughout April. Eleven days of final hearing commenced on May 6, 2025 and concluded on June 12, 2025.

Pursuant to the Commission's June 12, 2025 procedural order, deadlines for motions for official notice, objections to official notice and written closings were established. *See* Docket Tab #269. On June 18, 2025, the Commission issued Order No. 28,159 ruling on motions for official notice received from the DOE, CLF, and Ms. Kramer. The Commission determined that although Puc 204.18 permits the Commission to take official notice of the matters described in (a) through (e) supra, neither RSA 541-A:33, V, nor the Commission's rules require such official notice to be taken. As such, it is within the discretion of the Commission whether to take official notice of its records. *See Appeal of Omega Entm't, LLC (N.H. State Liquor Comm'n)*, 156 NH 282, 292 (October 2007).

The Commission took official notice of the following:

1) Eversource's response to a Commission Information Request PUC 1-020;
2) Roger Colton's September 28, 2022 report, filed in Docket DE 22-043; and
3) N.H. Admin R., Chapter Puc 300 and Chapter En 300.

Concerning Ms. Kramer's request to take official notice of Amanda Noonan's testimony in Docket No. DE 22-043, the Commission found that Ms. Noonan's prior testimony in that docket was irrelevant to the issues noticed in this adjudicatory proceeding and declined to take official notice of it. Finally, concerning Ms. Kramer's request to take official notice of Order No. 24,542, the Commission denied the request for official notice without prejudice. *See* Order No. 28,159 at 6.

Concerning the DOE's request for official notice of dockets DE 19-057, DG 17-048, DE 25-016, Liberty Utilities FERC Form 1, DE 25-025, Docket No. 12-320, DE 21-073, DE 13-065, DE 10-055, DG 23-085, DG 23-067 and DG 17-048, the Commission found that although the documents may be located in other Commission

proceedings, they were irrelevant, immaterial, or would be overly burdensome to the Commission to include in this docket as officially noticed materials. *See* Id. at 7.

Written closings were timely filed by the Conservation Law Foundation, AARP, Walmart, Inc., OCA, Ms. Kramer, the DOE and Eversource.