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August 29, 2017

***VIA ELECTRONIC MAIL  
ORIGINAL BY HAND DELIVERY***

Mark D. Marini, Secretary  
Department of Public Utilities  
One South Station, 5<sup>th</sup> Floor  
Boston, MA 02110

*Re: D.P.U. 17-05, Phase II  
Petition of NSTAR Electric Company and Western Massachusetts Electric Company, each d/b/a Eversource Energy, for Approval of General Increases in Base Distribution Rates for Electric Service and a Performance Based Ratemaking Mechanism.*

Dear Secretary Marini:

Enclosed for filing in the above-referenced matter, please find the Cape Light Compact JPE's (the "Compact") Surrebuttal Testimony of Jonathan F. Wallach, Affidavit of Jonathan F. Wallach and Certificate of Service.

Thank you for your attention to this matter. If you require further information or have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "Rebecca F. Zachas". Below the signature, the name "Rebecca F. Zachas" is printed in a smaller, standard font.  
Rebecca F. Zachas

RFZ/drB  
Enclosures

cc: Marc J. Tassone, Hearing Officer (via email only)  
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**COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF PUBLIC UTILITIES**

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**Petition of NSTAR Electric Company and )  
Western Massachusetts Electric Company, each )  
d/b/a Eversource Energy for Approval of )      D.P.U. 17-05, Phase II  
an Increase in Base Distribution Rates for Electric )  
Service Pursuant to G.L. c. 164, §94 and )  
220 C.M.R. §5.00 )**

**SURREBUTTAL TESTIMONY OF  
JONATHAN F. WALLACH  
ON BEHALF OF  
THE CAPE LIGHT COMPACT JPE**

**AUGUST 29, 2017**

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1    **I. INTRODUCTION**

2    **Q. Please state your name and business address.**

3    A.    My name is Jonathan F. Wallach. My business address is Resource Insight, Inc., 5  
4              Water Street, Arlington, Massachusetts.

5    **Q. Have you previously provided testimony in this proceeding?**

6    A.    Yes. On April 27, 2017, I filed direct testimony with the Department of Public  
7              Utilities (the “Department”) on behalf of the Cape Light Compact JPE (the  
8              “Compact”). My direct testimony addressed various rate-design proposals by  
9              NSTAR Electric Company (“NSTAR Electric”) and Western Massachusetts  
10              Electric Company (“WMECO”), each d/b/a Eversource Energy (“Eversource”), as  
11              set forth in the ten-volume filing entitled Petition for Approval of a Performance-  
12              Based Ratemaking Mechanism and General Distribution Revenue Change, D.P.U.  
13              17-05, and dated January 17, 2017 (the “Initial Filing”).

14              On August 15, 2017, I also filed supplemental direct testimony on behalf of the  
15              Compact, as permitted under the extended procedural schedule for addressing all  
16              aspects of rate design (“Phase II”). My Phase II supplemental direct testimony  
17              addressed alternative approaches for recovering base distribution, reconciling-rate,  
18              and transmission revenues, as proposed by Eversource in rebuttal testimony filed on  
19              May 19, 2017 (“May 19 Rebuttal Filing”) and in a supplemental response to  
20              Information Request DPU-56-9 filed on June 1, 2017 (“June 1 Filing”).

1        Specifically, my Phase II supplemental direct testimony addressed Eversource's  
2        alternative ("ALT1") proposals to:

- 3           • Combine 2018 test year base distribution revenue requirements for the eastern  
4              ("EMA") and western ("WMA") Massachusetts regional service territories, and  
5              then allocate the Eversource-wide revenue deficiency to rate classes on the basis  
6              of the results of a single Eversource-wide cost of service study.
- 7           • Consolidate EMA and WMA revenues for all reconciling rates, rather than for  
8              the four reconciling rates proposed for consolidation in the Initial Filing.
- 9           • Consolidate only the residential rate classes across the EMA and WMA regions  
10              for the purposes of allocating consolidated transmission revenues, rather than  
11              consolidating all rate classes as proposed in the Initial Filing.

12      **Q.     What is the purpose of your surrebuttal testimony?**

13      A.     My surrebuttal testimony responds to rebuttal testimony by Eversource witnesses  
14              Edward A. Davis, Richard D. Chin, and James D. Simpson (collectively, the "Rate  
15              Design Panel") filed in Phase II of this proceeding on August 22, 2017 ("RDP  
16              Phase II Rebuttal").

17      **II.    RESPONSE TO RDP PHASE II REBUTTAL**

18      **Q.     The RDP Phase II Rebuttal states that you claim in your supplemental direct  
19              testimony that "EMA customers are unfairly bearing additional costs under  
20              the ALT1 proposal." (RDP Phase II Rebuttal, Exh. ES-RDP-Rebuttal-1 at 12,  
21              lines 15-16.) Is that an accurate characterization of your supplemental direct  
22              testimony?**

1    A.    No. Not all EMA customers would bear additional costs under the alternative  
2       allocation of test year base distribution revenues proposed by Eversource in the  
3       June 1 Filing. My testimony is that Eversource's alternative approach for  
4       recovering base distribution costs would unreasonably, inequitably, and arbitrarily  
5       burden EMA *residential* customers with costs that were incurred to serve – and  
6       therefore appropriately recovered from – EMA and WMA *non-residential*  
7       customers.<sup>1</sup>

8    Q.    **Does Eversource agree with your finding that this cost-shifting is not cost-  
9       based?**

10   A.    No. According to the RDP Phase II Rebuttal:

11              The Company is already operating as a single company under the  
12       supervision of a common management team with shared services throughout  
13       the Massachusetts service territory. Consequently, it is appropriate for  
14       customers of the same operating company to share the costs incurred for  
15       providing service to all of its customers. (RDP Phase II Rebuttal, Exh. ES-  
16       RDP-Rebuttal-1 at 13, lines 3-7.)

17   Q.    **How do you respond to Eversource's claim that cost-shifting from  
18       consolidation of revenue requirements reasonably reflects cost of service for a  
19       consolidated operating company?**

20   A.    I have two responses. First, this claim represents a complete repudiation of  
21       Eversource's testimony in the Initial Filing that the proposal to *not* consolidate  
22       revenue requirements was cost-based:

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<sup>1</sup> In my supplemental direct testimony, I testified that the proposed alternative allocation would recover costs from EMA residential customers that were incurred to serve WMA residential and WMA non-residential customers. (Exh. CLC-JFW-Supplemental-1 at 7, lines 14-16.) In addition, I testified that the proposed alternative allocation would shift costs from EMA non-residential customers to EMA residential customers. (Id. at 8, lines 3-18.) Finally, I testified that there is no cost basis for shifting either EMA non-residential costs, WMA non-residential costs, or WMA residential costs onto EMA residential customers. (Id. at 7, lines 11-18, at 9, lines 6-12.)

1       The Company is able to produce cost-based rates separately for WMECO  
2       and NSTAR Electric in this case because the Company continues to record,  
3       track and report costs on a disaggregated basis, *despite the operational*  
4       *consolidation of the two companies.* Consequently, the Company opted to  
5       maintain separate base rates so that rates would be set on the stand alone  
6       revenue requirement. (Initial Filing, Exh. ES-RDP-1 at 7-8 (emphasis  
7       added).)

8       The RDP Phase II Rebuttal gives no indication as to why Eversource no longer  
9       believes that rates would be cost-based under the approach for recovering base  
10      distribution costs proposed in the Initial Filing.

11      Second, a “common management team with shared services” does not justify the  
12      excessive cost-shifting onto EMA residential customers that results from  
13      consolidation of revenue requirements under the June 1 Filing. Eversource  
14      separately forecasted 2018 test-year revenue requirements for the EMA and WMA  
15      regional service territories. These forecasts already reflected a division of the costs  
16      of shared services between the two regions. Therefore, EMA residential customers  
17      would already be paying for their portion of the costs of shared services under the  
18      Initial Filing, since such cost-sharing is already reflected in separate EMA and  
19      WMA revenue requirements. The Rate Design Panel thus has not rebutted my  
20      testimony that the cost-shift onto EMA residential customers under the June 1  
21      Filing is an arbitrary by-product of the consolidation of EMA and WMA revenue  
22      requirements. I remain convinced that this alternative approach inequitably and  
23      unreasonably shifts costs from WMA customers and EMA non-residential  
24      customers and onto EMA residential customers.

1     **Q. The RDP Phase II Rebuttal claims that you expressed support for**  
2     **Eversource's proposal to consolidate revenue requirements in your**  
3     **supplemental direct testimony.<sup>2</sup> (RDP Phase II Rebuttal, Exh. ES-RDP-**  
4     **Rebuttal-1 at 13, lines 9-12.) Is that an accurate characterization of your**  
5     **supplemental direct testimony?**

6     A. No. To the contrary, my primary recommendation was, and continues to be, that  
7                 the Department reject Eversource's proposal to consolidate base distribution  
8                 revenue requirements because Eversource's proposal would yield rates that are  
9                 neither cost-based nor fair. Only in the event that the Department finds that cost-  
10                 sharing across the EMA and WMA regions is appropriate would I recommend that  
11                 EMA and WMA revenue requirements be consolidated using one of the alternative  
12                 approaches I described in my supplemental direct testimony, so as to avoid cost-  
13                 shifting from non-residential to residential rate classes as a result of consolidation.

14     **Q. How does Eversource respond to your proposal for consolidating revenue**  
15     **requirements by rate class in the event that the Department finds cost-sharing**  
16     **to be appropriate?**

17     A. The RDP Phase II Rebuttal does not object to consolidating revenue requirements  
18                 by rate class using either the "CBRC" or the "Modified CBRC" methods described  
19                 in my supplemental direct testimony. (See Exh. CLC-JFW-Supplemental-1 at 9,  
20                 line 13 to 14, line 7.) However, regardless of which method is used to consolidate  
21                 revenue requirements by rate class, Eversource does object to my proposal to  
22                 recover rate-class consolidated revenue requirements through uniform rates charged  
23                 to all Eversource customers in each rate class.

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<sup>2</sup> The RDP Phase II Rebuttal mistakenly refers to me as Mr. Galligan on page 13, line 9, but it is apparent from the discussion and citation there that the Rate Design Panel was referring to my supplemental direct testimony.

1           Eversource opposes uniform rates because of the potential for adverse bill impacts  
2           for WMA customers:

3           Under a consolidated rate design, WMA customers would likely be subject  
4           to rate designs that favor EMA, which may leave a number of WMA  
5           customers with less favorable bill impacts.” (RDP Phase II Rebuttal, Exh.  
6           ES-RDP-Rebuttal-1 at 15, lines 5-7.)

7           However, the RDP Phase II Rebuttal does not offer any quantitative support for  
8           Eversource’s claim that uniform rates would adversely affect bills for WMA  
9           customers.

10          **Q. Could uniform rates lead to different bill impacts for EMA and WMA  
11           customers?**

12          A. Yes. In fact, we see this effect for residential customers under Eversource’s  
13           proposal in the June 1 Filing to recover consolidated base distribution revenue  
14           requirements through a uniform rate for each residential rate class. For example,  
15           under Eversource’s proposal for uniform residential rates in the June 1 Filing, the  
16           average base distribution bill for R-1 residential customers in EMA would increase  
17           by about 15% while the average bill for R-1 residential customers in WMA would  
18           increase by about 27%.<sup>3</sup>

19          **Q. Under your proposal for consolidating revenue requirements by rate class,  
20           could rate-class consolidated revenue requirements be recovered through non-  
21           uniform rates?**

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<sup>3</sup> These are the percentage increases in the average base distribution bill, excluding the impact from changes in reconciling or transmission rates. The percentage increases in average bills are derived based on data provided in Exhibit ES-RDP-2 (ALT1), Schedules RDP-9 (East) and RDP-9 (West).

1    A. Yes. Rate-class consolidated revenue requirements could be recovered through  
2       region-specific rates if uniform rates would result in excessive bill impacts for the  
3       WMA customers in a rate class.

4       For example, I showed in Exhibit CLC-JFW-Supplemental-2 that base distribution  
5       revenues for the G-3 rate class would increase by about 9.5% if test-year revenue  
6       requirements were consolidated by rate class using the CBRC method.<sup>4</sup> If the  
7       Department were to find that uniform rates would result in excessive bill impacts  
8       for WMA G-3 customers in this case, the consolidated test-year revenue  
9       requirement could instead be recovered by increasing current EMA G-3 base  
10      distribution revenues and current WMA G-3 base distribution revenues each by  
11      9.5%. This approach would yield separate rates for EMA G-3 customers and WMA  
12      G-3 customers that increase average base distribution bills for both EMA and  
13      WMA customers by 9.5%.

14     Q. **The RDP Phase II Rebuttal claims that you object to Eversource's proposal to  
15       charge uniform transmission rates to residential rate classes, but separate  
16       EMA and WMA transmission rates to non-residential rate classes. (RDP  
17       Phase II Rebuttal, Exh. ES-RDP-Rebuttal-1 at 15, lines 8-10.) Is that an  
18       accurate characterization of your supplemental direct testimony?**

19     A. No. In my supplemental direct testimony, I did not offer an opinion as to whether  
20       Eversource's proposal in the June 1 Filing to recover allocated transmission  
21       revenues from residential rate classes through uniform rates and from non-

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<sup>4</sup> Exhibit CLC-JFW-Supplemental-2 shows the revenue impacts from consolidation of revenue requirements using the CBRC method. I provided the revenue impacts from consolidation using the Modified CBRC method in Table 2 of my supplemental direct testimony.

1       residential rate classes through non-uniform rates is reasonable or not. However, I  
2       did object to Eversource's proposal in the June 1 Filing to consolidate only the  
3       residential rate classes across the EMA and WMA regions for the purposes of  
4       allocating Eversource-wide transmission revenues to rate classes, as opposed to  
5       Eversource's proposal in the Initial Filing to consolidate all rate classes for cost-  
6       allocation purposes.<sup>5</sup>

7       Eversource has not offered any justification based on considerations of cost of  
8       service or fairness for revising its proposed approach in the Initial Filing.  
9       Consequently, if the Department approves Eversource's proposal to consolidate  
10      transmission revenues, all rate classes should be consolidated for the purposes of  
11      allocating consolidated transmission revenues. Once allocated to consolidated rate  
12      classes, transmission revenues can be recovered through either a uniform rate for all  
13      Eversource customers in a rate class or separate rates for EMA and WMA  
14      customers in a rate class.

15      **III. CONCLUSION**

16      **Q. Have you revised any of the recommendations in your supplemental direct  
17       testimony in light of Eversource's RDP Phase II Rebuttal?**

18      A. No. I continue to recommend that the Department:

- 19           • Reject Eversource's alternative approach for consolidating and recovering base  
20           distribution costs as proposed in the June 1 Filing and instead allocate EMA and

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<sup>5</sup> In both the Initial Filing and the June 1 Filing, Eversource proposed consolidation of EMA and WMA transmission revenues for cost-allocation purposes.

1 WMA test-year revenue requirements to rate classes in the same fashion as  
2 proposed in the Initial Filing. In the alternative, if the Department finds that  
3 some cost-sharing across the EMA and WMA regions would be appropriate,  
4 consolidate EMA and WMA test-year revenue requirements by rate class using  
5 either of the two approaches described in my supplemental direct testimony.

- 6 • Reject Eversource's alternative treatment of reconciling-rate and transmission  
7 revenues as proposed in the June 1 Filing and instead recover such costs from  
8 rate classes in the same fashion as proposed in the Initial Filing.  
9 • Reject Eversource's proposal in the Initial Filing and in the June 1 Filing to  
10 impose an MMRC-specific customer charge and a demand charge on new  
11 residential net-metering customers.

12 Q. **Does this conclude your surrebuttal testimony?**

13 A. Yes, it does.

**COMMONWEALTH OF MASSACHUSETTS**

**DEPARTMENT OF PUBLIC UTILITIES**

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an Increase in Base Distribution Rates for Electric )  
Service Pursuant to G.L. c. 164, §94 and )  
220 C.M.R. §5.00 )  
)

**AFFIDAVIT OF JONATHAN F. WALLACH**

Jonathan F. Wallach does hereby depose and say as follows:

I, Jonathan F. Wallach, certify that the surrebuttal testimony submitted on behalf of the Cape Light Compact JPE (the "Compact") in the above-captioned proceeding, which bears my name, was prepared by me or under my supervision and is true and accurate to the best of my knowledge and belief.

Signed under the pains and penalties of perjury.



\_\_\_\_\_  
Jonathan F. Wallach  
Vice President, Resource Insight, Inc.

Dated: August 29, 2017

**COMMONWEALTH OF MASSACHUSETTS**  
**DEPARTMENT OF PUBLIC UTILITIES**

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\_\_\_\_\_  
)

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served the foregoing document(s) upon Secretary Mark D. Marini via electronic mail and hand delivery, upon Hearing Officer Marc J. Tassone via electronic mail only, upon Cheryl M. Kimball, Esq. and Joseph W. Rogers, Esq. via electronic mail and first class mail delivery and upon the remaining Service List via electronic mail only in this matter.

Dated this 29<sup>th</sup> day of August 2017.



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