The Commonwealth of Massachusetts

DEPARTMENT OF PUBLIC UTILITIES

D.P.U. 17-05-F May 11, 2018

Petition of NSTAR Electric Company and Western Massachusetts Electric Company, each doing business as Eversource Energy, Pursuant to G.L. c. 164, § 94 and 220 CMR 5.00 for Approval of General Increases in Base Distribution Rates for Electric Service and a Performance Based Ratemaking Mechanism.

ORDER ON EVERSOURCE'S MOTION FOR RECONSIDERATION AND MOTION FOR LEAVE TO FILE A REPONSE

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I. INTRODUCTION AND RELEVANT PROCEDURAL HISTORY[1]

On January 17, 2017, NSTAR Electric Company ("NSTAR Electric") and Western Massachusetts Electric Company ("WMECo"), each doing business as Eversource Energy (collectively, "Eversource" or "Companies") filed a petition with the Department of Public Utilities ("Department") seeking approval of increases in base distribution rates for electric service pursuant to G.L. c. 164, § 94, as well as other proposals.[2] The Department docketed this matter as D.P.U. 17-05. On January 25, 2017, the Attorney General of the Commonwealth of Massachusetts ("Attorney General") filed a notice of intervention pursuant to G.L. c. 12, § 11E (a).[3]

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1 For a complete procedural history of this proceeding, refer to NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05, at 5-11 (2017).

2 In D.P.U. 17-05, at 28-55, the Department approved the corporate consolidation of WMECo with and into NSTAR Electric pursuant to G.L. c. 164, § 96. The legal name of Eversource's electric distribution company in Massachusetts is now NSTAR Electric Company d/b/a Eversource Energy.

3 The other full party intervenors in this case are: (1) Acadia Center; (2) Associated Industries of Massachusetts; (3) the City of Cambridge; (4) the towns of Aquinnah, Barnstable, Bourne, Brewster, Chatham, Chilmark, Dennis, Edgartown, Eastham, Falmouth, Harwich, Mashpee, Oak Bluffs, Orleans, Provincetown, Sandwich, Tisbury, Truro, West Tisbury, Wellfleet, and Yarmouth, as well as Barnstable County and Dukes County, acting together as the Cape Light Compact; (5) Conservation Law Foundation; (6) Department of Energy Resources; (7) the Federal Executive Agencies; (8) Low-Income Weatherization and Fuel Assistance Program Network and the Massachusetts Energy Directors Association; (9) Northeast Clean Energy Council; (10) Retail Energy Supply Association; (11) The Energy Consortium; (12) University of Massachusetts; and (13) Western Massachusetts Industrial Group. The following entities were granted limited intervenor status: (1) the Town of Barnstable; (2) Cape and Vineyard Electric Cooperative; (3) ChargePoint, Inc.; (4) Choice Energy, LLC; (5) Direct Energy Business, LLC, Direct Energy Business Marketing, LLC, Direct Energy Services, LLC, and Direct Energy Solar, LLC; (6) the Energy Consumers Alliance of New England, Inc., d/b/a Massachusetts

On November 30, 2017, the Department issued a final Order establishing Eversource's revenue requirement. NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05 (2017). On January 5, 2018, the Department issued a final Order establishing Eversource's rate structure. NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05-B (January 5, 2018). Eversource's new rates took effect on February 1, 2018, following approval of the Eversource's compliance filing. NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05-C (February 2, 2018). On March 20, 2018, the Department issued an Order on the Attorney General's Motion for Reconsideration and Clarification and Motion for Extension of the Judicial Appeal Period. NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05-D (March 20, 2018). On April 4, 2018, the Department issued an Order on Vote Solar's Motion for Clarification. NSTAR Electric Company and Western Massachusetts Electric Company, D.P.U. 17-05-E (April 4, 2018).

II. EVERSOURCE'S MOTION FOR RECONSIDERATION

A. Introduction

As discussed in D.P.U. 17-05, at 181-182, Eversource prepared depreciation studies for NSTAR Electric and WMECo and calculated annual depreciation accrual rates by plant account for all electric plant as of June 30, 2016. In D.P.U. 17-05, at 209, the Department found that for 14 accounts[4] Eversource's proposed net salvage factors overstated the Companies' salvage costs and

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Energy Consumers Alliance and the Sierra Club; (7) the City of Newton and the Towns of Arlington, Lexington, Natick and Weston; (8) PowerOptions, Inc.; (9) Sunrun, Inc. and the Energy Freedom Coalition of America, LLC; and (10) Vote Solar.

4 The 14 subject accounts are NSTAR Electric's accounts 366, 367, 369.1, 369.2, and 373, and WMECo's accounts 362, 364, 365, 366, 367, 369.1, 369.2, 370, and 371.

produced excessive depreciation accrual rates. The Department determined that, for those 14 subject accounts, the Attorney General's proposed salvage factors struck a reasonable balance between historic net salvage trends, more recent net salvage trends, and the Companies' anticipated future net salvage costs, while also maintaining the theoretical depreciation reserve. D.P.U. 17-05, at 209. Therefore, the Department determined that for the 14 subject accounts it would use the Attorney General's proposed net salvage rates in determining Eversource's depreciation accrual rates. D.P.U. 17-05, at 209.

On December 20, 2017, Eversource filed a Motion for Reconsideration ("Eversource's Motion") related to the aforementioned findings. On January 3, 2018, the Attorney General filed an Opposition to the Motion ("Attorney General's Opposition"). No other party responded to Eversource's Motion.

On January 19, 2018, Eversource filed a Motion for Leave to File a Response to the Attorney General Opposition ("Eversource's Motion for Leave") and a Response to the Attorney General's Opposition ("Eversource's Response"). On January 26, 2018, the Attorney General filed an Opposition and Cross-Motion to Strike the Companies' Response ("Attorney General's Motion to Strike"). Given the Department's findings below, we need not reach the merits of Eversource's Motion for Leave, Eversource's Response, or the Attorney General's Motion to Strike. Thus, our analysis below is based on the arguments raised in Eversource's Motion and the Attorney General's Opposition.

B. Standard of Review

The Department's Procedural Rule, 220 CMR 1.11(10), authorizes a party to file a motion for reconsideration within 20 days of service of a final Department Order. The Department's policy on reconsideration is well-settled. See, e.g., Boston Edison Company, D.P.U. 90-270-A at 2-3 (1991); Western Massachusetts Electric Company, D.P.U. 558-A at 2 (1981). Reconsideration of previously decided issues is granted when extraordinary circumstances dictate that we take a fresh look at the record for the express purpose of substantively modifying a decision reached after review and deliberation. The Berkshire Gas Company, D.P.U. 905-C at 6-7 (1982) (finding extraordinary circumstances where union contract expiration and subsequent strike prevented company from providing ratified union contract payroll increases until several days after final Order issued); cf. Boston Gas Company, D.P.U. 96-50-C (Phase I) at 25 (1997) (finding creation of nonunion compensation pool after the close of the record was not an extraordinary circumstance). Alternatively, a motion for reconsideration may be based on the argument that the Department's treatment of an issue was the result of mistake or inadvertence. See, e.g., Boston Gas Company, D.P.U. 96-50-C (Phase I) at 22 (1997); New England Telephone and Telegraph Company, D.P.U. 86-33-J at 2, 25-26 (1989); Boston Edison Company, D.P.U. 1350-A at 5 (1983).

A motion for reconsideration should not attempt to reargue issues considered and decided in the main case. See, e.g., Commonwealth Electric Company, D.P.U. 92-3C-1A at 3-6 (1995); Boston Edison Company, D.P.U. 90-270-A at 2-3, 7-9 (1991); Boston Edison Company, D.P.U. 1350-A at 4-5 (1983). The Department has denied reconsideration where the request rests upon information that could have been provided during the course of the proceeding and before issuance of the final Order. See, e.g., Boston Gas Company, D.P.U. 96-50-C (Phase I) at 36-37 (1997); Boston Gas Company, D.P.U. 96-50-B (Phase I) at 8 (1997). The Department has stated that the record in a proceeding closes, at the latest, when an Order is issued. Western Massachusetts Electric Company, D.P.U. 85-270-C at 18-20 (1987). Thus, the Department may deny reconsideration when the request rests on a new issue or updated information presented for the first time in the motion for reconsideration. See, e.g., Western Massachusetts Electric Company, D.P.U. 85-270-C at 18-20 (1987).

C. Positions of the Parties

1. Eversource

Eversource argues that the Department made a mistake in adopting the Attorney General's net salvage factors for the subject 14 accounts (Eversource's Motion at 4). First, Eversource argues that in adopting the Attorney General's proposed net salvage factors, the Department failed to specify the resulting approved depreciation rates (Eversource's Motion at 2, 5, 11). As a result, Eversource claims that there is no connection between the depreciation expense level approved by the Department and the three components of depreciation rates – capital recovery, cost of removal and gross salvage – and, therefore, depreciation rates cannot be generated from the Department's decision (Eversource's Motion at 5).

Next, Eversource argues that the Department failed to explain how the net salvage expense adjustment recommended by the Attorney General was specifically calculated, or how the computation was reasonable, appropriate, and correct, particularly when, as Eversource contends, the calculation does not arise from a depreciation study or any reasonable methodological approach

(Eversource's Motion at 5, 7-8, 10-11). In this regard, Eversource asserts that its depreciation witness followed the traditional method for calculating net salvage factors, as set forth in Depreciation Systems, written by Frank K. Wolf and W. Chester Fitch, and consistent with long-standing Department precedent (Eversource's Motion at 6, citing Exhs. ES-JJS-2, at 150-175; ES-JJS-3, at 126-144; ES-JJS-Rebuttal, at 30-36; Tr. 9, at 1735-1737; ES-1, at 261, 271; Bay State Gas Company, D.P.U. 12-25, at 307 (2012); Boston Edison Company, D.P.U. 1350, at 97, 107-111 (1983)).

In contrast, Eversource argues that the Attorney General's depreciation witness did not produce a depreciation study or follow any valid industry methodology for developing her proposed salvage factors for the subject 14 accounts (Eversource's Motion at 6). Further, Eversource claims that the Attorney General's depreciation witness omitted pertinent parts of the Depreciation Systems text from its exhibits and admitted that he did not generate schedules consistent with the methodology supported by Depreciation Systems (Eversource's Motion at 6-7). According to Eversource, the Attorney General's witness started with the expense levels generated by the net salvage factors derived in the Companies' depreciation studies and then worked backwards to reduce those expense levels to amounts that the witness arbitrarily deemed to be acceptable (Eversource's Motion at 7, citing Tr. 9, at 1745-1747, 1758-1759). Eversource also contends that the Attorney General's witness has a history of proposing salvage values across various jurisdictions that are based on arbitrary assessments as to the ultimate expense level that the witness seeks to recommend – i.e., according to Eversource, the witness's approach is results-oriented rather than based on a valid depreciation study or method (Eversource's Motion at 8). Thus, Eversource asserts that it is unclear what the Attorney General's method is in deriving the recommended expense level in a particular jurisdiction (Eversource's Motion at 8).

Eversource argues that the Department's decision in D.P.U. 17-05 does not reference or address how the Attorney General's approach of "backing into" a number is legitimate or why this approach is more valid from a methodological perspective than relying on the result of the Companies' depreciation studies and analysis of salvage factors (Eversource's Motion at 7-8). According to Eversource, this constitutes a material omission by the Department and creates a fundamental legal deficiency in the Department's decision (Eversource's Motion at 8-10, citing Boston Gas Company v. Department of Telecommunications and Energy, 436 Mass. 233, 242 (2002); Massachusetts Institute of Tech. v. Department of Public Utilities, 425 Mass. 856, 868 (1997)). Further, Eversource contends that the Department's decision that the Attorney General's proposed salvage factors "'strike a reasonable balance between historic net salvage trends, more recent net salvage trends, and the Companies' anticipated future net salvage costs, while maintaining the theoretical depreciation reserve,'" is deficient and contrary to established ratemaking practice in relation to depreciation studies and net salvage parameters (Eversource's Motion at 5-6, 10, 12, citing D.P.U. 17-05, at 209; Fitchburg Gas and Electric Light Company, D.P.U. 15-80/15-81, at 214-228 (2016); NSTAR Gas Company, D.P.U. 14-150, at 183-196 (2015); D.P.U. 12-25, at 307; D.P.U. 1350, at 97, 107-111). Thus, Eversource asserts that the Department's decision violates the principle of reasoned consistency (Eversource's Motion at 12, citing Boston Gas Company v. Department of Public Utilities, 367 Mass 92, 104, 105 (1975)).

Based on all of the foregoing reasons, Eversource argues that the Department's adoption of the Attorney General's salvage factors is subject to reconsideration because of legal error (Eversource's Motion at 12). Accordingly, Eversource asserts that the Department's decision warrants reconsideration (Eversource's Motion at 12).

2. Attorney General

The Attorney General argues that the Department did not make a mistake in adopting her recommended net salvage factors (Attorney General's Opposition at 4). First, the Attorney General disagrees with Eversource's claims that the Department's decision fails to specify the resulting depreciation rates or that the Companies are unable derive such rates from the decision (Attorney General's Opposition at 3). The Attorney General notes that the Department did, in fact, make a finding that it would use the Attorney General's proposed net salvage rates in determining Eversource's depreciation accrual rates (Attorney General's Opposition at 3, citing D.P.U. 17-05, at 209; Exh. AG-WWD-1, at 31). Further, the Attorney General contends that in order to determine the overall depreciation rates, the Companies need only "swap out" their proposed net salvage rates for the Attorney General's rates (Attorney General's Opposition at 3-4, citing Exh. AG-WWD-1, at 31). According to the Attorney General, the record already includes this calculation, as she contends that her witness calculated the depreciation accrual rates that result from the proposed net salvage factors for each contested account, as well as those accounts' composite remaining lives (Attorney General's Opposition at 4, citing Exh. AG-WWD-3, at 2, 4, 7, 9).

Next, the Attorney General argues that there is no Department requirement for a party to conduct its own depreciation study in order to make recommendations on adjustments to a petitioner's proposed depreciation accrual rates (Attorney General's Opposition at 5). She notes that in prior cases, the Department has made such adjustments based on evidence outside of a company's depreciation study (Attorney General's Opposition at 5, citing D.P.U. 14-150, at 194-195; D.P.U. 12-25, at 316, 318, 322-323). The Attorney General contends that in the instant case, she substantially agreed with Eversource's depreciation studies, with the exception of the proposed accrual rates for the 14 subject accounts, for which she claims she provided sufficient evidence to support her recommended accrual rates (Attorney General's Opposition at 5, citing Exhs. AG-WWD-1, AG-WWD-Surrebuttal-1; Tr. 9, at 1703–1800). Thus, according to the Attorney General, there was no need for her to conduct a separate depreciation study (Attorney General's Opposition at 5).

Further, the Attorney General disputes that Eversource's method of establishing depreciation rates (i.e., through depreciation studies) was wholly objective (Attorney General's Opposition at 6).[5] Rather, the Attorney General asserts that all net salvage analyses require some degree of subjectivity and that the Department did not make a mistake when it adopted her subjective analysis over Eversource's subjective analysis (Attorney General's Opposition at 6). In

5 The Attorney General contends that Eversource rehashes its arguments regarding its purported use of the traditional approach to developing depreciation rates (Attorney General Opposition at 6). She claims that Eversource raised these arguments during the evidentiary phase of the proceeding and in briefs and that the Department already considered such arguments (Attorney General's Opposition at 6, citing D.P.U. 17-05, at 208). Thus, the Attorney General asserts that Eversource's Motion should not attempt to reargue these issues (Attorney General's Opposition at 6, citing D.P.U. 92-3C-1A, at 3-6 (1995); D.P.U. 90-270-A, at 2-3, 7-9; D.P.U. 1350-A, at 4–5).

this regard, she argues that the Eversource's depreciation expert erroneously included future inflation in the Companies' proposed depreciation expense and, therefore, it was proper for the Department to find that such costs were inflated (Attorney General's Opposition at 7, citing Exhs. AG-WWD-1, at 24 n.24; AG-WWD-Surrebuttal-1, at 2-3, 21-22; AG-WWD-Surrebuttal-2).

For all of these reasons, the Attorney General argues that Eversource has failed to demonstrate that the Department's decision was based on a mistake that requires reconsideration (Attorney General's Opposition at 2, 4-5, 6, 7). Accordingly, the Attorney General asserts that the Department should deny the Eversource's Motion (Attorney General's Opposition at 2, 8).

D. Analysis and Findings

1. Introduction

As noted above, Eversource raises two main arguments in support of its request for reconsideration. First, Eversource argues that reconsideration is appropriate because the Department, in adopting the Attorney General's recommended net salvage factors for the 14 subject accounts, failed to specify the resulting depreciation rates (Eversource's Motion at 2, 5, 11). Second, Eversource contends that the Department failed to adequately support its decision to adopt the Attorney General's recommended net salvage expense adjustment, particularly given that the recommended net salvage factors did not result from a depreciation study or any reasonable methodological approach (Eversource's Motion at 5, 7-8, 10-11).

2. Depreciation Rates

Regarding Eversource's first argument, in D.P.U. 17-05, at 211, the Department noted that it applied the Attorney General's proposed accrual rates to the Companies' depreciable plant balances included in rate base to calculate the Companies' annual depreciation expense. While it did not include a table of the approved accrual rates, the Department did indicate that such a table was provided by the Attorney General. D.P.U. 17-05, at 187, citing Exhs. AG-WWD-1, at 32; AG-WWD-3, at 1-6. Therefore, we are not persuaded by Eversource's argument that the Department failed to provide the approved accrual rates or the annual depreciation expense resulting from those accrual rates.

3. Net Salvage Analysis

Regarding the Attorney General's second argument, Eversource maintains that the Attorney General's approach of "backing into" net salvage factors that her witness arbitrarily deemed to be acceptable is results-oriented and not based on a valid methodology (Eversource's Motion at 6-8). The Attorney General counters that the selection of net salvage factors includes some degree of subjectivity, and the Department's decision to adopt one subjective analysis over another is not a mistake that provides a basis for reconsideration (Attorney General's Opposition at 6).

As an initial matter, we note that there is no express Department requirement for a party to present its own depreciation study to recommend adjustments to a petitioning company's proposed depreciation accrual rates. The Department has routinely adjusted net salvage factors, including those proposed by Eversource's own depreciation witness, in prior rate proceedings without the need to either perform a new depreciation study or to disaggregate net salvage in the manner apparently sought by Eversource. D.P.U. 14-150, at 190, 195; D.P.U. 12-25, at 316-318, 323; Massachusetts Electric Company and Nantucket Electric Company, D.P.U. 09-39, at 197 (2009); D.P.U. 08-27, at 116; Fitchburg Gas and Electric Light Company, D.T.E. 02-24/25, at 136-137, 139, 142 (2003); D.P.U. 92-250, at 68, 70.[6] Thus, we find that the Attorney General's failure to provide a separate depreciation study does not preclude the adoption of her recommended net salvage factors, so long as the underlying basis for any such recommendations is well grounded and consistent with Department ratemaking standards.

On this last point, we note that the Department's original decision to amend the Companies' proposed net salvage factors rested upon a determination that Eversource, having failed to discount its salvage values for the time value of money, inappropriately included inflation in the cost of removal data, which for the 14 subject accounts resulted in inflated net salvage factors and produced excessive depreciation accrual rates. D.P.U. 17-05, at 205-207.[7] This finding was based in part on instruction from Depreciation Systems that "[a] first step in salvage analysis is to convert the observed dollars to constant dollars," which the Attorney General claimed Eversource failed to do. D.P.U. 17-05, at 190-191, 205, citing Exhs. AG-WWD-Surrebuttal-2, at 8; ES-1, at 5; Attorney General Brief at 158.[8] Ultimately, the Department determined that, for the 14 subject

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6 Additionally, the Department has revised proposed life analyses without the need to perform a new depreciation study. D.P.U. 14-150, at 193; Milford Water Company, D.P.U. 12-86, at 229-230 (2013); D.P.U. 12-25, at 320; Fitchburg Gas and Electric Light Company, D.P.U. 11-01/11-02, at 291-292 (2011); Aquarion Water Company of Massachusetts, D.P.U. 08-27, at 118, 120 (2009); Bay State Gas Company, D.P.U. 92-111, at 124 (1993).

7 The Department determined that Eversource properly supported its proposed service lives and survivor curves and, therefore, accepted the proposed life and survivor curves. D.P.U. 17-05, at 201. These issues are not implicated by Eversource's Motion.

8 We note both Eversource and the Attorney General recognized and considered various depreciation principles set forth in Depreciation Systems, as well as those discussed in the Public Utility Depreciation Practices Manual compiled and edited by the National Association of Regulatory Utility Commissioners (see, e.g., Exhs. ES-JJS-Rebuttal at 30-36, AG-WWD-1, at 6, 9, 19, 24, 37; AG-WWD-Surrebuttal-1, at 1-5, 14-16;

accounts, it would accept the Attorney General's proposed net salvage factors in determining Eversource's depreciation accrual rates. D.P.U. 17-05, at 209.

After review of Eversource's Motion and the Attorney General's Opposition, the Department is now persuaded that it erred in evaluating Eversource's and the Attorney General's respective proposed salvage analyses. In particular, as explained further below, we conclude that the Eversource's method of deriving net salvage values was appropriate and, in this instance, should have been accepted. Accordingly, we find that reconsideration of the decision in D.P.U. 17-05 with respect to net salvage is necessary and appropriate. D.P.U. 96-50-C (Phase I) at 22; D.P.U. 86-33-J at 2, 25-26; D.P.U. 1350-A at 5.

4. Reconsideration

With respect to net salvage, the aforementioned instruction from Depreciation Systems that "[a] first step in salvage analysis is to convert the observed dollars to constant dollars," is just one step in the particular forecasting method that the authors use to calculate future salvage factors (or future salvage ratios) (see Exhs. AG-WWD-Surrebuttal-2; ES-1). The instruction is part of the introductory chapter on net salvage ("Chapter 4"), which describes the basic concepts of salvage and the preliminary analysis recommended before a depreciation analyst forecasts any future salvage ratios (Exh. AG-WWD-Surrebuttal-2). While it is clear that the preliminary analysis requires first converting observed dollars to constant dollars, it stands to reason that if conversion to constant dollars is the "first step" in salvage analysis, then additional steps follow. Indeed, the sentence immediately following the conversion instruction provides "[t]hen the constant dollar

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AG-WWD-Surrebuttal-2). The Department likewise recognizes the principles set forth in these leading depreciation texts. See D.P.U. 17-05, at 203-205, 208.

salvage curves can be examined and fit to a model," which indicates that the analyst will examine these constant dollar salvage curves and fit them to one of several basic models that represents the functional relationship between that group of assets' ages at retirement and their corresponding salvage values (Exh. AG-WWD-2, at 4, 8). Thus, we find that a more contextualized reading of the conversion to constant dollars instruction is that it is a component of the preliminary analysis that supports the identification of the underlying age and salvage relationship that may be obscured by inflation (Exh. AG-WWD-2, at 4, 8). In fact, the full forecasting method is not described in Chapter 4 at all (see Exhs. AG-WWD-Surrebuttal 2; ES-1). Rather, Depreciation Systems provides a full method of forecasting future salvage ratios in a later chapter of the treatise ("Chapter 14") (Exh. ES-1).

In Chapter 14 of Depreciation Systems the full forecasting method begins with an examination of the data reflecting the total annual costs (Exh. ES-1, at 4). In order to develop a preliminary model describing the relationship between asset age and salvage, the text encourages the depreciation analyst to become familiar with the physical characteristics of the property in each account and with the manner of retiring the property (Exh. ES-1, at 5). Similar to the caveats noted in Chapter 4, the full forecasting method set forth in Chapter 14 cautions that because inflation may obscure patterns, it may be helpful to analyze the salvage curves using a constant price level (Exh. ES-1, at 5). Next, the analyst uses judgement and outside information to decide whether or not the model chosen for the historical data can be used to forecast future salvage values by evaluating the likelihood that the method of retirement will remain the same for the assets currently in service (Exh. ES-1, at 6). Finally, the analyst uses the chosen model to forecast future salvage values using three parameters, one of which is the annual rate of inflation (Exh. ES-1, at 6). Thus, it is clear that the final salvage ratios developed using the methods described in Depreciation Systems include inflation.

In this proceeding, it is not clear, however, that Eversource used this full method because the workpapers include only the observed data and do not include the constant dollar analysis, choice of preliminary models, or creation of forecasts necessary to employ the full method described above (Exhs. ES-JJS-2, at 38-41, 149-175; ES-JJS-3, at 38-41, 125-145). Additionally, Eversource's depreciation witness indicated that the Companies' net salvage percentages are estimated using only the actual historical data through 2015, along with the witness' consideration of industry experience (Exhs. ES-JJS-1, at 12-13; AG-6-17).

Nevertheless, we recognize that the Public Utility Depreciation Practices Manual compiled and edited by the National Association of Regulatory Utility Commissioners ("NARUC") manual describes an abbreviated method of forecasting salvage ratios, which foregoes the removal and subsequent reintroduction of inflation required for a more robust analysis and forecast (see RR-DPU-26). Similar to Depreciation Systems, NARUC indicates that the process of estimating future net salvage starts by analyzing past salvage data and using the results of that analysis to project future salvage values (RR-DPU-26, at 157-158). NARUC instructs the depreciation analyst to determine the past relationship of net salvage as a percent of retirements, using observed nominal values for net salvage and installation data that inherently include the effects of inflation because the two data points represent different points in time (RR-DPU-26, at 158-159). NARUC then details several technical considerations in using the results of the historical data to project future salvage values, including anticipated changes in retirement methods, company policy, environmental regulations, and future prices of scrap and labor (RR-DPU-26, at 159). NARUC acknowledges that this second step involves considerable cost, time, and effort, and is often the subject of controversy (RR-DPU-26, at 157). Thus, NARUC concludes that, for most companies, detailed analyses and forecasts are not economically justifiable (RR-DPU-26, at 158-159). Additionally, NARUC concludes that a depreciation analyst, cognizant of the factors that may cause future experience to differ from that of the past, should be able to adequately estimate future salvage as a percent of retirements by applying informed judgment to modify the results of historical analyses (RR-DPU-26, at 161).

Based on a review of Eversource's depreciation studies, the Department finds that Eversource's salvage analysis is consistent with the analysis prescribed by NARUC (Exhs. ES-JJS-1, at 12-13; ES-JJS-2, at 38-41, 149-175; ES-JJS-3, at 38-41, 125-145; see also RR-DPU-26, at 157-164). Further, we find that this method is consistent with previously accepted approaches of determining net salvage factors. See, e.g., Bay State Gas Company, D.P.U. 12-25, at 307, 312 (2012); D.P.U. 1350, at 97, 107-111. Given that the method set forth in Depreciation Systems and the one prescribed by NARUC both recognize an inflation component, the Department no longer is persuaded that Eversource's failure to discount its salvage values for the time value of money resulted in proposed net salvage factors that overstate the Companies' salvage costs and produce excessive depreciation accrual rates. Rather, we find that for the 14 subject accounts, Eversource's proposed net salvage factors appropriately recognize the full service value of the assets in these accounts. While it is true that Eversource's net salvage factors result in higher depreciation rates than those proposed by the Attorney General, we find that the rates, which were calculated according to an acceptable method, are appropriate to ensure that current customers who receive service from those particular assets pay for an appropriate share of the costs for retiring those assets. Therefore, the proposed net salvage factors should have been approved in D.P.U. 17-05.

Additionally, upon further reconsideration, the Department finds that the Attorney General's alternative proposed net salvage factors should not have been adopted. Although the Attorney General was not required to submit her own depreciation study, she was required to provide appropriate support for her alternative net salvage factors. The Department notes that, while the Attorney General objected to the inclusion of inflation in the final salvage factors, her proposed remedy did not remove inflation, but instead simply reduced the net salvage for the 14 subject accounts to arrive at net salvage accruals to a level that was 2.2 times larger than a recent average annual net salvage expense (Exhs. AG-WWD-1, at 14, 28; AG-WWD-4; Tr. 9, at 1757). The Attorney General based this proposal on the objective of creating a "reasonable relationship" between the depreciation accrual for net salvage that is charged to the ratepayers compared to what the Companies actually incur for net salvage (Exh. AG-WWD-1, at 26, 32; Tr. 9, at 1758-1760). Notwithstanding the findings in D.P.U. 17-05, at 209, however, upon reconsideration we conclude that other than demonstrating that her alternative represents a gradual decrease from the Companies' proposed accruals, the Attorney General offered no persuasive explanation why net salvage accruals that are 2.2 times larger than a recent average annual net salvage expense are more appropriate than the Companies' proposal or appropriate on their own merit

(Exhs. AG-WWD-1, at 14, 28; DPU-AG-2-14; Tr. 9, at 1757-1760). While we recognize that, in contrast to the selection of average service lives and dispersion curves, the selection of salvage values is more subjective, the Department is not prepared to deviate from a recognized and accepted approach to deriving salvage ratios in the absence of an appropriately supported alternative. In this case, upon reconsideration, we are not persuaded that the Attorney General's alternative approach is sufficiently reliable to warrant a departure from the approach used by Eversource. Moreover, as noted above, we find that the overall depreciation rates proposed by Eversource are appropriate and not excessive.

Based on these findings, we conclude that Eversource's proposed net salvage factors for NSTAR Electric's accounts 366, 367, 369.1, 369.2, and 373, and WMECo's accounts 362, 364, 365, 366, 367, 369.1, 369.2, 370, and 371, are acceptable. In D.P.U. 17-05, at 201, the Department determined that Eversource properly supported its proposed service lives and survivor curves and, therefore, accepted the proposed life and survivor curves. Accordingly, the Department approves Eversource's proposed depreciation rates.

5. Other Issues

As noted above in Section II.A, on January 19, 2018, Eversource filed a Motion for Leave and a Response to the Attorney General's Opposition. For the first time in this proceeding, Eversource argued that the Attorney General's proposed depreciation accrual rates cannot be disaggregated into "valid and proper components" necessary to perform the financial accounting procedures required by Eversource's accountants (Response at 2-3, 7-9, 18). In light of our findings above, we need not reach the merits of this argument.

Notwithstanding our decision here, however, we again stress that the Department has routinely adjusted net salvage factors without the need to disaggregate net salvage in the manner apparently sought by Eversource. D.P.U. 14-150, at 190, 195; D.P.U. 12-25, at 316-318, 323; D.P.U. 09-39, at 197; D.P.U. 08-27, at 116; D.T.E. 02-24/25, at 136-137, 139, 142; D.P.U. 92-250, at 68, 70. Eversource's own depreciation studies determine salvage factors in part based on the witness's own expertise and informed judgement, and do not disaggregate net salvage by various components (Exhs. ES-JJS-1, at 8, 13; ES-JJS-2, at 39-41; ES-JJS-3, at 39-41). Given this reliance on informed judgment, we are not persuaded that a depreciation study's salvage factors can be disaggregated into the level of detail that Eversource purports is necessary to maintain its financial records.[9] Further, no company has previously raised the financial accounting issues raised by Eversource in this proceeding, and none has previously expressed any inability to calculate depreciation expense as a result of revised depreciation accrual rates.[10] Finally, the Companies' concerns over financial accounting issues were, or should have been, known to Eversource at least as early as April 28, 2017, when the Attorney General filed direct testimony and presented her net salvage analysis (Exhs. AG-WWD-1; AG-WWD-3; AG-WWD-4). Despite this timely notice, however, Eversource failed to raise its concerns in discovery, rebuttal

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9 If a depreciation study did offer these types of disaggregation, it would be reasonable to conclude that the result of the study would be suspect.

10 In any event, the Department has long considered that neither financial nor tax accounting standards automatically dictate ratemaking treatment. Boston Edison Company, D.P.U./D.T.E. 97-95, at 76-77 (2001); Massachusetts-American Water Company, D.P.U. 95-118, at 107 (1996); NYNEX Price Cap, D.P.U. 94-50, at 305 (1995); Massachusetts Electric Company, D.P.U. 92-78, at 79 80 (1992); Cape Cod Gas Company, D.P.U. 20103, at 18-19 (1979).

testimony, during the evidentiary hearings, or on brief. Instead, Eversource first raised the financial accounting issue after the Department issued its order in D.P.U. 17-05, in the form of the Motion for Leave. The Department expects all parties to raise all relevant arguments upon which they may rely as they reasonably become known during the course of the evidentiary phase of the proceedings. Parties who fail do so face the risk of having such arguments being deemed untimely and excluded from Department consideration.

6. Conclusion

In order to calculate Eversource's annual depreciation expense based on the Companies' accrual rates, the Department has applied those accrual rates to the Companies' depreciable plant balances included in rate base. As discussed in D.P.U. 17-05, at 211-212, the Department allowed the inclusion of NSTAR Electric's proposed post-test year plant additions, but excluded $3,335,790 in post-test year additions associated with WMECo's Montague substation upgrades. Finally, the Department reduced NSTAR Electric's amortization reserve deficiency adjustment from the proposed $128,698 to $80,436, and reduced WMECo's amortization reserve deficiency adjustment from the proposed $475,881 to $297,051. Based on this analysis, and in light of the findings above, the Department finds that NSTAR Electric's annual depreciation and amortization expense is $152,178,892, and WMECo's annual depreciation and amortization expense is $29,651,434. Accordingly, NSTAR Electric's depreciation and amortization expense as approved in D.P.U. 17-05 shall be increased by $6,552,141, and WMECo's depreciation and amortization expense as approved in D.P.U. 17-05 shall be increased by $2,666,988. The effect of these findings is set forth in the Schedules below.

III. SCHEDULES – NSTAR ELECTRIC COMPANY[11]

A. Schedule 1 – Revenue Requirements and Calculation of Revenue Increase

SCHEDULE 1 - NSTAR ELECTRIC COMPANY
REVENUE REQUIREMENTS AND CALCULATION OF REVENUE INCREASE

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
COST OF SERVICE				
Total O&M Expense	322,597,077	222,884	(26,164,877)	296,655,084
Depreciation & Amortization	176,196,744	(3,043,199)	(57,513)	173,096,032
Taxes Other Than Income Taxes	99,430,889	1,185,985	(27,485)	100,589,389
Income Taxes	106,987,033	367,042	(49,564,198)	57,789,877
Return on Rate Base	208,211,099	(5,049,088)	(2,907,279)	200,254,732
Additional Uncollectibles (Revenue Deficiency)	426,407	(29,016)	(581,845)	(184,454)
Total Cost of Service	913,849,249	(6,345,392)	(79,303,197)	828,200,660
OPERATING REVENUES				
Base Distribution Revenues	829,692,282	0	0	829,692,282
Other Operating Revenues	23,962,582	631,625	(47,112)	24,547,095
Total Operating Revenues	853,654,864	631,625	(47,112)	854,239,377
Total Revenue Deficiency	**60,194,385**	**(6,977,017)**	**(79,256,085)**	(26,038,717)

11 Numbers may not add due to rounding, and any minor discrepancies between the numbers in the Schedules and those in the text are due to rounding.

B. Schedule 2 – Operations and Maintenance Expenses

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Test Year O&M Expense	274,358,971	(470,430)	2,409,293	276,297,834
ADJUSTMENTS TO TEST YEAR O&M EXPENSE:				
Postage Expense	(126,159)	0	0	(126,159)
Uncollectible Expense	(3,573,684)	0	0	(3,573,684)
Fee Free Payment Processing	5,093,091	0	(5,093,091)	0
Fee Free Offset	0	0	52,891	52,891
Dues and Memberships	(93,080)	0	0	(93,080)
Employee Benefits Costs	1,548,219	1,104,330	(323,914)	2,328,635
Insurance Expense And Injuries & Damages	(87,075)	0	0	(87,075)
Payroll Expense	10,035,441	(964,281)	0	9,071,160
Variable Compensation	(3,057,252)	(91,433)	(460,042)	(3,608,727)
Vegetation Expense Annualization	5,226,646	0	0	5,226,646
Vegetation Management Resiliency Tree Work Pilot	22,752,025	0	(22,752,025)	0
Rate Case Expense	471,976	153,383	(29,052)	596,307
Regulatory Assessments	(2,188,739)	455,947	2,409,292	676,500
Lease Expense	400,375	219,956	(154,496)	465,835
Information Systems Expense Adjustment	1,362,605	(114,437)	(1,248,168)	0
GIS Verification Adjustment	1,023,615	167,661	(1,191,276)	0
Storm Cost Adjustment	2,880,000	0	0	2,880,000
Storm Fund Adjustment	3,500,000	0	0	3,500,000
Eversource Service Company Charges	0	0	(3,778)	(3,778)
Insurance Policy Distribution	0	0	(158,407)	(158,407)
Residual O&M Inflation Adjustment	3,070,102	(237,812)	377,896	3,210,186
Sum of O&M Expense Adjustments	48,238,106	693,314	(28,574,170)	20,357,250
Total O&M Expense	**322,597,077**	**222,884**	**(26,164,877)**	**296,655,084**

C. Schedule 3 – Depreciation and Amortization Expenses

SCHEDULE 3 - NSTAR ELECTRIC COMPANY
DEPRECIATION AND AMORTIZATION EXPENSES

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Depreciation and Amortization Expense	152,153,130	74,023	(48,261)	152,178,892
Amortization of Deferred Assets	24,043,614	(3,117,222)	(9,252)	20,917,140
Total Depreciation and Amortization Expense	176,196,744	(3,043,199)	(57,513)	173,096,032

D. Schedule 4 – Rate Base and Return on Rate Base

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Utility Plant in Service	5,277,871,546	5,236,686	0	5,283,108,232
LESS:				
Reserve for Depreciation	1,629,791,051	1,250,000	2,351,645	1,633,392,696
Reserve for Amortization	21,408,453	0	0	21,408,453
Net Utility Plant in Service	3,626,672,042	3,986,686	(2,351,645)	3,628,307,083
ADDITIONS TO PLANT:				
Cash Working Capital	37,453,650	128,535	(2,389,605)	35,192,581
ASC 740 (net)	60,537,693	0	0	60,537,693
Materials and Supplies	34,922,056	0	0	34,922,056
Total Additions to Plant	132,913,399	128,535	(2,389,605)	130,652,330
DEDUCTIONS FROM PLANT:				
Reserve for Deferred Income Tax	984,178,132	669,989	0	984,848,121
Customer Deposits	6,369,673	0	0	6,369,673
Customer Advances	34,634,865	0	0	34,634,865
Total Deductions from Plant	1,025,182,670	669,989	0	1,025,852,659
RATE BASE	2,734,402,771	3,445,232	(4,741,250)	2,733,106,754
COST OF CAPITAL	7.61%	-0.19%	-0.09%	7.33%
RETURN ON RATE BASE	**208,211,099**	**(5,049,088)**	**(2,907,279)**	**200,254,732**

E. Schedule 5 – Cost of Capital

	PER COMPANY			
	PRINCIPAL	PERCENTAGE	COST	RATE OF RETURN
Long-Term Debt	$2,100,000,000	45.69%	4.31%	1.97%
Preferred Stock	$43,000,000	0.94%	4.56%	0.04%
Common Equity	$2,452,820,959	53.37%	10.50%	5.60%
Total Capital	$4,595,820,959	100.00%		7.61%
Weighted Cost of				
Debt				1.97%
Preferred				0.04%
Equity				5.60%
Cost of Capital				7.61%

	COMPANY ADJUSTMENTS			
	PRINCIPAL	PERCENTAGE	COST	RATE OF RETURN
Long-Term Debt	$2,100,000,000	45.69%	3.88%	1.77%
Preferred Stock	$43,000,000	0.94%	4.56%	0.04%
Common Equity	$2,452,820,959	53.37%	10.50%	5.60%
Total Capital	$4,595,820,959	100.00%		7.42%
Weighted Cost of				
Debt				1.77%
Preferred				0.04%
Equity				5.60%
Cost of Capital				7.42%

	PER ORDER			
	PRINCIPAL	PERCENTAGE	COST	RETURN
Long-Term Debt	$2,100,000,000	45.72%	4.27%	1.95%
Preferred Stock	$43,000,000	0.94%	4.56%	0.04%
Common Equity	$2,450,093,895	53.34%	10.00%	5.33%
Total Capital	$4,593,093,895	100.00%		7.33%
Weighted Cost of				
Debt				1.95%
Preferred				0.04%
Equity				5.33%
Cost of Capital				7.33%

F. Schedule 6 – Cash Working Capital

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Total O&M Expense	322,597,077	222,884	(26,164,877)	296,655,084
Less Uncollectible Accounts	11,499,968	0	0	11,499,968
Taxes Other Than Income	99,430,890	1,185,985	(27,485)	100,589,390
Total Costs Subject to Cash Working Capital	**410,527,999**	**1,408,869**	**(26,192,362)**	**385,744,506**
Cash Working Capital Factor (33.30/365)	9.12%	9.12%	9.12%	9.12%
Total Cash Working Capital Allowance	**37,453,650**	**128,535**	**(2,389,605)**	**35,192,581**

G. Schedule 7 – Taxes Other Than Income Taxes

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
FICA	6,686,097	(49,763)	(27,485)	6,608,849
Medicare	1,806,639	(13,446)	0	1,793,193
Federal Unemployment	45,739	0	0	45,739
State Unemployment	259,370	0	0	259,370
State Insurance Premium Excise Tax	230,381	0	0	230,381
Tangible Property Tax	1,275,000	0	0	1,275,000
Universal Health Tax	40,372	0	0	40,372
State Sales and Use Tax	3,918	0	0	3,918
Property Tax	89,083,373	1,249,194	0	90,332,567
Taxes Other Than Income	**99,430,889**	**1,185,985**	**(27,485)**	100,589,389

H. Schedule 8 – Income Taxes

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Rate Base	2,734,402,771	3,445,232	(4,741,250)	2,733,106,754
Return on Rate Base	208,211,099	(5,049,088)	(2,907,279)	200,254,732
Interest Expense	(53,813,047)	5,243,623	(4,753,489)	(53,322,913)
Amortization of Net Unfunded Deferred Tax Liab.	1,488,887	0	0	1,488,887
Income Tax Impact of Flowthrough Items	1,311,689	0	0	1,311,689
FAS 109 Income Taxes and ITC	0	141,288	0	141,288
Total Deductions	(51,012,471)	5,384,911	(4,753,489)	(50,381,049)
Taxable Income Base	157,198,628	335,823	(7,660,768)	149,873,683
Gross Up Factor	1.6722	1.6722	1.3759	1.3759
Taxable Income	262,873,992	561,577	(57,224,368)	206,211,201
Mass Franchise Tax (8%)	21,029,919	44,926	(4,577,949)	16,496,896
Federal Taxable Income	241,844,072	516,651	(52,646,419)	189,714,305
Federal Income Tax (21%)	84,645,425	180,828	(44,986,249)	39,840,004
Income Tax Impact of Flowthrough Items	1,311,689	0	0	1,311,689
FAS 109 Income Taxes and ITC	0	141,288	0	141,288
Total Income Taxes	**106,987,033**	**367,042**	**(49,564,198)**	**57,789,877**

I. Schedule 9 – Revenues

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
DISTRIBUTION REVENUES PER BOOKS	829,692,282	69,143	0	829,761,425
Other Operating Revenues	29,548,876	0	0	29,548,876
Other Operating Revenues				
Special Contracts	217,639	0	0	217,639
Late Payment Charges	3,437,879	0	0	3,437,879
Rent from Electric Property	8,322,192	689,974	577,328	9,589,494
Other Electric Revenue	11,648,697	208,683	(624,440)	11,232,940
Revenues from Transmission of Electricity of Others	336,175	(336,175)	0	0
Total Other Revenues	23,962,582	562,482	(47,112)	24,477,952
Adjusted Total Operating Revenues	853,654,864	631,625	(47,112)	854,239,377

IV. SCHEDULES – WESTERN MASSACHUSETTS ELECTRIC COMPANY[12]

A. Schedule 1 – Revenue Requirements and Calculation of Revenue Increase

SCHEDULE 1 - WESTERN MASSACHUSETTS ELECTRIC COMPANY
REVENUE REQUIREMENTS AND CALCULATION OF REVENUE INCREASE

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
COST OF SERVICE				
Total O&M Expense	67,567,718	82,708	(4,469,293)	63,181,133
Depreciation & Amortization	32,781,024	(1,164,091)	(582,650)	31,034,283
Taxes Other Than Income Taxes	18,259,052	948,871	(35,148)	19,172,775
Income Taxes	19,459,290	(46,295)	(8,725,828)	10,687,167
Return on Rate Base	33,576,776	(597,919)	(1,312,364)	31,666,493
Additional Uncollectibles (Revenue Deficiency)	443,454	(12,264)	(185,927)	245,263
Total Cost of Service	172,087,313	(788,990)	(15,311,210)	155,987,114
OPERATING REVENUES				
Base Distribution Revenues	132,415,741	0	0	132,415,741
Other Operating Revenues	4,008,528	197,255	(358,726)	3,847,057
Total Operating Revenues	136,424,269	197,255	(358,726)	136,262,798
Total Revenue Deficiency	**35,663,044**	**(986,245)**	**(14,952,484)**	**19,724,316**

12 Numbers may not add due to rounding, and any minor discrepancies between the numbers in the Schedules and those in the text are due to rounding.

B. Schedule 2 – Operations and Maintenance Expenses

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Test Year O&M Expense	$59,918,641	($159,997)	$413,176	$60,171,820
ADJUSTMENTS TO TEST YEAR O&M EXPENSE:				
Postage Expense	(27,580)	0	0	(27,580)
Uncollectible Expense	(2,063,199)	0	0	(2,063,199)
Fee Free Payment Processing	906,909	0	(906,909)	0
Fee Free Payment Processing O&M Savings Offset	0	0	9,378	9,378
Dues and Memberships	(2,693)	0	0	(2,693)
Employee Benefits Costs	206,047	205,993	(24,483)	387,557
Insurance Expense and Injuries & Damage	(110,172)	0	0	(110,172)
Payroll Expense	1,694,639	0	(173,600)	1,521,039
Variable Compensation	(714,682)	0	(85,221)	(799,903)
Vegetation Management Resiliency Tree Work Pilot	3,902,175	0	(3,902,175)	0
Rate Case Expense	311,279	37,027	(5,127)	343,179
Regulatory Assessments	(374,453)	80,051	413,176	118,774
Lease Expense	13,819	0	(27,167)	(13,348)
Information Systems Expense Adjustment	244,633	(6,696)	(237,937)	(0)
Storm Cost Adjustment	720,000	0	0	720,000
Storm Fund Adjustment	2,000,000	0	0	2,000,000
Eversource Service Company Charges	0	0	(662)	(662)
Insurance Policy Distribution	0	0	(22,675)	(22,675)
Residual O&M Inflation Adjustment	942,355	(73,669)	80,933	949,619
Sum of O&M Expense Adjustments	7,649,077	242,705	(4,882,469)	3,009,313
Total O&M Expense	67,567,718	82,708	(4,469,293)	63,181,133

C. Schedule 3 – Depreciation and Amortization Expenses

SCHEDULE 3 - WESTERN MASSACHUSETTS ELECTRIC COMPANY
DEPRECIATION AND AMORTIZATION EXPENSES

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Depreciation and Amortization Expense	30,276,615	(44,091)	(581,090)	29,651,434
Amortization of Deferred Assets	2,504,409	(1,120,000)	(1,560)	1,382,849
Total Depreciation and Amortization Expense	32,781,024	(1,164,091)	(582,650)	31,034,283

D. Schedule 4 – Rate Base and Return on Rate Base

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Utility Plant in Service	834,673,665	(1,586,025)	(3,488,926)	829,598,714
LESS:				
Reserve for Depreciation	232,345,474	(6,919)	0	232,338,555
Reserve for Amortization	19,245,859	0	0	19,245,859
Net Utility Plant in Service	583,082,332	(1,579,106)	(3,488,926)	578,014,300
ADDITIONS TO PLANT:				
Cash Working Capital	7,547,362	94,114	(407,746)	7,233,729
ASC 740 (net)	19,209,890	0	0	19,209,890
Materials and Supplies	2,242,787	0	0	2,242,787
Total Additions to Plant	29,000,039	94,114	(407,746)	28,686,406
DEDUCTIONS FROM PLANT:				
Reserve for Deferred Income Tax	168,804,718	(255,350)	(672,829)	167,876,539
Customer Deposits	2,114,715	0	0	2,114,715
Customer Advances	291,410	0	0	291,410
Total Deductions from Plant	171,210,843	(255,350)	(672,829)	170,282,664
RATE BASE	440,871,528	(1,229,642)	(3,223,843)	436,418,042
COST OF CAPITAL	7.62%	-0.11%	-0.25%	7.26%
RETURN ON RATE BASE	**33,576,776**	**(597,919)**	**(1,312,364)**	**31,666,493**

E. Schedule 5 – Cost of Capital

	PER COMPANY			
	PRINCIPAL	PERCENTAGE	COST	RATE OF RETURN
Long-Term Debt	$547,975,604	46.66%	4.32%	2.02%
Preferred Stock	$0	0.00%	0.00%	0.00%
Common Equity	$626,410,414	53.34%	10.50%	5.60%
Total Capital	$1,174,386,018	100.00%		7.62%
Weighted Cost of				
Debt				2.02%
Preferred				0.00%
Equity				5.60%
Cost of Capital				7.62%

	COMPANY ADJUSTMENTS			
	PRINCIPAL	PERCENTAGE	COST	RATE OF RETURN
Long-Term Debt	$547,975,604	46.66%	4.07%	1.90%
Preferred Stock	$0	0.00%	0.00%	0.00%
Common Equity	$626,410,414	53.34%	10.50%	5.60%
Total Capital	$1,174,386,018	100.00%		7.50%
Weighted Cost of				
Debt				1.90%
Preferred				0.00%
Equity				5.60%
Cost of Capital				7.50%

	PER ORDER			
	PRINCIPAL	PERCENTAGE	COST	RETURN
Long-Term Debt	$547,975,604	45.49%	3.97%	1.81%
Preferred Stock	$0	0.00%	0.00%	0.00%
Common Equity	$656,686,129	54.51%	10.00%	5.45%
Total Capital	$1,204,661,733	100.00%		7.26%
Weighted Cost of				
Debt				1.81%
Preferred				0.00%
Equity				5.45%
Cost of Capital				7.26%

F. Schedule 6 – Cash Working Capital

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
FICA	1,294,826	0	(17,574)	1,277,252
Medicare	356,766	0	0	356,766
Federal Unemployment	10,015	0	0	10,015
State Unemployment	63,080	0	(17,574)	45,506
State Insurance Premium Excise Tax	30,003	0	0	30,003
Federal Highway Tax	1,610	0	0	1,610
Universal Health Tax	8,203	0	0	8,203
State Sales and Use Tax/Other	942	0	0	942
Property Tax	16,493,608	948,871	0	17,442,479
Taxes Other Than Income	**18,259,052**	**948,871**	**(35,148)**	**19,172,775**

G. Schedule 7 – Taxes Other Than Income Taxes

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
FICA	1,294,826	0	(17,574)	1,277,252
Medicare	356,766	0	0	356,766
Federal Unemployment	10,015	0	0	10,015
State Unemployment	63,080	0	(17,574)	45,506
State Insurance Premium Excise Tax	30,003	0	0	30,003
Federal Highway Tax	1,610	0	0	1,610
Universal Health Tax	8,203	0	0	8,203
State Sales and Use Tax/Other	942	0	0	942
Property Tax	16,493,608	948,871	0	17,442,479
Taxes Other Than Income	**18,259,052**	**948,871**	**(35,148)**	**19,172,775**

H. Schedule 8 – Income Taxes

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Rate Base	440,871,529	(1,229,642)	(3,223,843)	436,418,042
Return on Rate Base	33,576,776	(597,919)	(1,312,364)	31,666,493
Add: Flow-Through and Permanent Items	3,815,783	0	0	3,815,783
Less: Interest Expense	(8,885,325)	529,051	478,928	(7,877,346)
Add: FAS 109 Income Taxes and ITC	176,747	0	49,019	225,766
Total Deductions	(4,892,795)	529,051	527,947	(3,835,797)
Taxable Income Base	28,683,981	(68,867)	(784,417)	27,830,696
Gross Up Factor	1.672241	1.672241	1.375894	1.375894
Taxable Income	47,966,524	(115,163)	(9,559,263)	38,292,098
Massachusetts Income Tax (8%)	3,837,322	(9,213)	(764,741)	3,063,368
Federal Taxable Income	44,129,202	(105,950)	(8,794,522)	35,228,730
Federal Income Tax Calculated (21%)	15,445,221	(37,082)	(8,010,106)	7,398,033
Total Income Taxes Calculated	19,282,543	(46,295)	(8,774,847)	10,461,401
Add: FAS 109 Income Taxes and ITC	176,747	0	49,019	225,766
Total Income Taxes	**19,459,290**	**(46,295)**	**(8,725,828)**	**10,687,167**

I. Schedule 9 – Revenues

	PER COMPANY	COMPANY ADJUSTMENT	DPU ADJUSTMENT	PER ORDER
Distribution Revenues				
Distribution Revenues	132,218,977	0	(464,646)	131,754,331
Revenue Decoupling (Prior Year Refund)	(5,104,988)	0	0	(5,104,988)
Revenue Decoupling	5,301,752	0	464,646	5,766,398
Total Distribution Revenues	132,415,741	0	0	132,415,741
Other Revenues				
Sales for Resale (447)	55,380	0	0	55,380
Late Payment Charges (450)	526,847	(238,893)		287,954
Misc. Revenues (451)	246,414	436,148	(358,726)	323,836
Rent from Electric Property (454)	800,581	0		800,581
Other Electric Revenue (456)	2,379,306	0	0	2,379,306
Total Other Revenues	4,008,528	197,255	(358,726)	3,847,057
Adjusted Total Operating Revenues	136,424,269	197,255	(358,726)	136,262,798

V. ORDER

Accordingly, after due notice, opportunity for comment and consideration, it is

ORDERED: That NSTAR Electric Company d/b/a Eversource Energy's Motion for Reconsideration is GRANTED; and it is

FURTHER ORDERED: That the revenue requirement for NSTAR Electric Company is set at ($26,038,717); and it is

FURTHER ORDERED: That the revenue requirement for Western Massachusetts Electric Company is set at $19,724,316; and it is

FURTHER ORDERED: That NSTAR Electric Company, d/b/a Eversource Energy shall files revised schedules of rates and charges based on the combined revenue requirements set herein; and it is

FURTHER ORDERED: That NSTAR Electric Company d/b/a Eversource Energy shall comply with all other orders and directives contained in this Order.

By Order of the Department,

/s/

Angela M. O'Connor, Chairman

/s/

Robert E. Hayden, Commissioner

/s/

Cecile M. Fraser, Commissioner