

THE STATE OF NEW HAMPSHIRE

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March 26, 2019

Matthew J. Fossum, Esq.
Senior Counsel
Public Service Company of New Hampshire d/b/a Eversource Energy
780 North Commercial Street
P.O. Box 330
Manchester, NH 03105-0330

Re: DE 18-058, Public Service Company of New Hampshire d/b/a Eversource Energy
Petition for Recovery of Storm Expenses

Dear Attorney Fossum:

On April 5, 2018, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or the Company) filed a petition for recovery of storm expenses from its Major Storm Cost Reserve (MSCR). On April 13, 2018, Eversource withdrew its April 5 filing and filed a revised petition and supporting documents. In the revised petition, Eversource requested the Commission's approval of its recovery from the MSCR of storm expenses related to seven weather events occurring between August 2011 and March 2013. Commission Audit Staff (Audit Staff) audited the costs associated with these storms, and the Commission approved Eversource's request to recover these expenses by secretarial letter dated September 17, 2018.

Eversource's revised petition also requested Audit Staff to audit the costs related to eight storm and pre-staging events that occurred from December 2013 through April 2016, and the Commission to then approve Eversource's recovery of the audited costs from the MSCR. On January 9, 2019, Audit Staff issued its Final Audit Report (Report) regarding these costs.

On February 5, 2019, Commission Staff (Staff) filed its recommendation regarding recovery of the costs related to this second series of storm-related events. According to Staff, the Report identified several unresolved issues.

Audit Issue #2 identified the need for Eversource to file storm cost requests on a timely basis. Audit Staff recommended that Eversource file its storm costs request by April 1 of each year for storm costs incurred in the prior year. Staff agreed with this recommendation. Staff Recommendation at 3.

Audit Issue #3 identified that, in the past, Eversource had not offset approved storm costs through the MSCR. Audit Staff recommended that, going forward, Eversource should offset storm cost account #186430 by the funds in funding account #228430 (MSCR) on an annual basis. Staff agreed with this recommendation, with the understanding that all portions of the annual reconciliation would be subject to audit after the reconciliation was filed. *Id.*

Audit Issue #9 identified several charges that should be disallowed from recovery through the MSCR. Staff agreed with Audit Staff's recommendation that charges from The Ergonomics Group and Twenty First Century Communications be disallowed, because they were not directly related to the actual restoration of power. *Id.* at 4. Audit Staff also recommended disallowing a charge listed under "Other" related to the December 20, 2013 pre-staging event. This issue was inadvertently omitted from the Report. This charge relates to excavation and pavement of an elementary school parking lot. Records show that the excavation and paving project was required because Eversource "broke up" a driveway. Staff agreed, and recommended that the \$6,800 associated with this work be disallowed for recovery from the storm fund. *Id.*

Finally, Audit Issue #9 identified premium charges from Liberty Utilities for mutual aid assistance during a November 26, 2014 storm event, and recommended that the costs of mutual aid assistance be disallowed from recovery through the MSCR. Eversource explained that these charges were consistent with other rates for mutual aid. Staff and Audit Staff reviewed the charges again and agreed to allow the cost of mutual aid related to storm recovery to be charged to the MSCR. *Id.*

Eversource filed a letter on February 6, 2019 (Eversource Letter) in response to Staff's recommendation. In its response, it stated that "Eversource does not take exception with the Staff's recommendation," but noted that it had three concerns. Eversource Letter at 1. First, Eversource disagreed that costs associated with The Ergonomics Group and Twenty First Century Communications should be recovered through a Media Communications or similar account, and not from the MSCR. *Id.* Eversource noted that these expenses in prior storms, when audited and found to be prudently incurred, were allowed to be recovered from the storm fund. *Id.* Eversource said that it will accept the Report's conclusion with respect to these charges in this proceeding, based on the finding that the charges were reasonable ones for which Eversource could seek recovery by other means, but that the Company would "reserve its right to raise additional concerns relative to this item." *Id.* at 2. Eversource added that "in future storm cost recovery review proceedings it may seek to present evidence supporting similar types of costs, or other storm-related costs that are not 'directly related to the literal restoration of power,' as being incremental storm-related activities not otherwise recovered in base rates." *Id.*

Second, Eversource questioned the disallowance of recovery of the costs related to the excavation and pavement of an elementary school parking lot. *Id.* *Id.* After this issue was raised in the first draft Audit Report, Eversource stated that it provided an explanation of the costs and the reasons why they were incurred. *Id.* Eversource pointed out that the second draft Audit Report removed the "Audit Issue #5" designation for this expense, leading the Company to believe that its explanation had been adequate, and that the costs could be recovered. *Id.*

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Eversource stated that the final Report contained no notation of an audit issue related to this expense. *Id.*

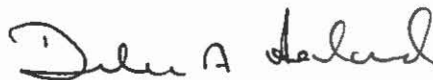
Finally, Eversource disagreed with the schedule proposed by Audit Staff and Staff for future filings of storm expenses. *Id.* at 3. Eversource requested the Commission to modify this schedule by allowing the Company to file information and supporting testimony related to storm expenses for 2018 by June 1, 2019. *Id.* For future years, Eversource proposed filing its storm report on May 1, rather than April 1 as recommended by Staff. *Id.* According to Eversource, significant storm activity can occur near the end of the year, so that a May 1 deadline would allow the Company more time to prepare data for the Commission's review, helping to ensure a more efficient and effective review process. *Id.*

The Commission reviewed Staff's recommendation and Eversource's February 6, 2019 response. Based on its review, the Commission denied Eversource's request to recover the costs associated with The Ergonomics Group and Twenty First Century Communications, as well as the \$6,800 related to the repair of a parking lot, from the MSCR. In addition, the Commission approved Staff's recommendation that Eversource annually offset its storm expenses from the MSCR.

The Commission approved Eversource's recovery in the amount of \$38,107,690 from the MSCR fund, in addition to any adjusted amount of appropriate carrying charges. This amount represents Eversource's storm costs related to pre-staging and storm restoration efforts from December 20, 2013 through April 3, 2016, which have been audited by Audit Staff and reviewed by Staff. The Commission ordered Eversource to notify Staff when the Company has determined its adjusted amount of appropriate carrying charges, and to confirm the amount of the recovery and balance of the MSCR fund.

Further, the Commission agreed to Eversource's request for a May 1 deadline for filing its future annual reports of the storm costs incurred for the prior year, which would be subject to audit by Audit Staff. For calendar year 2018 storm costs, the Commission decided to permit Eversource to file its report on June 1, 2019, as requested by the Company. The Commission also determined that in future annual reports, Eversource should include only those storms from the prior calendar for which the final costs have been calculated. Eversource should make note of any storms where costs are not finalized by the May 1 report date, and include these storms with final expenses in the Company's filed report for the subsequent calendar year.

Sincerely,



Debra A. Howland
Executive Director

cc: Service List (Electronically)
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