

STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: March 23, 2017
AT (OFFICE): NHPUC

FROM: Karen Moran, Chief Auditor

SUBJECT: Concord Steam Corporation
DG16-769- Rate Case Expense Review

TO: Steve Frink, Assistant Director Gas/Water
Al-Azad Iqbal, Utility Analyst IV

Docket DG 16-769, Petition for Emergency Rates and Discontinuation of Service, included a settlement agreement, approved by Order 25,966. Within the settlement agreement was authorization for the Company to assess a rate case expense recovery surcharge of \$0.61 per Mlb effective 11/1/2016. The Company was required to provide, on or before 2/15/2017, the actual over/under collection of the authorized rate case surcharge. Any resulting adjustment was contemplated for implementation on 3/1/2017.

Staff at the PUC requested the over/under collection reconciliation on March 17, 2017. The Company provided the reconciliation on March 20, 2017:

	<u>Steam Sales</u>	<u>Surcharge</u>	<u>Revenue</u>
November 2016	11,660	\$0.61	\$ 7,112.60
December 2016	18,075	\$0.61	\$ 11,025.53
January 2017	21,092	\$0.61	\$ 12,865.92
February 2017	<u>16,973</u>	\$0.61	<u>\$ 10,353.41</u>
Subtotal actuals	67,800		\$ 41,357.46
March 2017	13,749	\$0.61	\$ 8,386.71
April 2017	7,524	\$0.61	\$ 4,589.80
May 2017	<u>2,633</u>	\$0.61	<u>\$ 1,606.36</u>
Subtotal projected	<u>23,906</u>		<u>\$ 14,582.87</u>
TOTAL 11/2016 – 5/2017	91,706		\$ 55,940.33

Actual Attorney and Consultant Expenses through 2/2017	<u>\$(76,793.27)</u>
Reported shortfall of surcharge recovery	\$ 20,852.93
To be spread across projected April and May steam sales	10,158
Reported and requested additional surcharge for April/May	\$ 2.05

Surcharge Revenue Collected

Revenue was booked to the general ledger Base Income accounts 4-5010 Commercial/Industrial, and 4-5020 Public Authority, as part of the “billed” revenue. As a result, Audit could not verify the specific dollars to the specific general ledger accounts, but was able to

verify the customer invoice totals to the ledger for November and December. Audit did verify that those monthly invoices included the rate case surcharge.

Actual Expenses

Audit reviewed the general ledger accounts relating to the expenses and the combined 6-6545, Attorneys, and 6-6565, Other Consultants, reflect the combined actual expenses of \$76,793.27. A review of all invoices booked to both general ledger accounts resulted in the following:

Invoice Date	<u>Orr & Reno</u>					Total
	Emergency Rates DG16-769	Asset Purchase DG16-770	Other	Incidental		
6/16/2016	\$ 2,537.50	\$ 1,032.50	\$ -	\$ -		\$ 3,570.00
7/15/2016	\$ 8,802.50	\$ 6,900.50	\$ -	\$ 135.00		\$ 15,838.00
8/7/2016	\$ 3,745.00	\$ 6,685.00	\$ 455.00	\$ 1.62		\$ 10,886.62
9/13/2016	\$ 3,762.50	\$ 752.50	\$ 595.00	\$ 615.98		\$ 5,725.98
10/7/2016	\$ 10,920.00	\$ 3,395.00	\$ 3,328.50	\$ 2.16		\$ 17,645.66
11/8/2016	\$ 3,850.00	\$ 315.00	\$ 1,330.00	\$ 927.62		\$ 6,422.62
12/6/2016	\$ 280.00	\$ -	\$ -	\$ -		\$ 280.00
	\$ 33,897.50	\$ 19,080.50	\$ 5,708.50	\$ 1,682.38		\$ 60,368.88

Hearing 10/5 for permanent emergency rates, Order issued 11/10/2016

12/6/2016	\$ -	\$ -	\$ 2,695.50	\$ 15.62		\$ 2,711.12
1/10/2017	\$ -	\$ -	\$ 540.00	\$ -		\$ 540.00
2/3/2017	\$ -	\$ -	\$ 4,089.50	\$ -		\$ 4,089.50
TOTAL Legal 3/20/17	\$ 33,897.50	\$ 19,080.50	\$ 13,033.50	\$ 1,698.00		\$ 67,709.50

Within each monthly invoice were specific dates (for the previous month) and descriptions of the work completed by specific attorney. For those days on which an attorney worked on more than one Concord Steam docket or legal question, Audit estimated the amount of time spent on each. For example, if the description was clear enough to determine work was done for two dockets, the hours were estimated to be split 50/50.

The "Other" column represents work performed by Orr & Reno relating to the State Fire Marshall, Licensing, Cost of Energy, the Finance docket DG 16-818, the triple net lease, the interconnection fund, and the task force, and are not considered part of the rate case expenses.

Incidental expenses were for mileage and court stenographer fees. The invoices were not clear regarding the hearings for which the stenographer fees were incurred. As a result, some of the stenographer fees may relate to the DG 16-769, or may not.

Because the rate case expense surcharge was approved for costs incurred in docket DG 16-769, only those expenses totaling **\$33,897.50** should be recovered through the rate case expense surcharge.

Stephen P. St. Cyr & Associates

Invoice Date	Emergency	Asset	Other	Incidental	Total
	Rates DG16-769	Purchase DG16-770			
7/9/2016	\$ 1,583.75	\$ -	\$ -	\$ -	\$ 1,583.75
8/15/2016	\$ 125.00	\$ -	\$ 1,093.75	\$ -	\$ 1,218.75
9/2/2016	\$ 718.75	\$ -	\$ 578.13	\$ -	\$ 1,296.88
10/7/2016	\$ 3,250.00	\$ -	\$ 1,328.13	\$ -	\$ 4,578.13
11/7/2016	\$ 234.38	\$ -	\$ 62.50	\$ -	\$ 296.88
12/5/2016	\$ 109.38	\$ -	\$ -	\$ -	\$ 109.38
TOTAL Consultants 3/20/17	\$ 6,021.25	\$ -	\$ 3,062.50	\$ -	\$ 9,083.75

As with the legal invoices, each invoice received from Stephen P. St. Cyr & Associates represented work completed in the previous month. Each invoice clearly indicated the work performed as either Emergency Rate Case or Line of Credit. The Emergency Rate Case expenses of DG 16-769, totaling **\$6,021.25** were properly supported and should be included in the rate case expense recovery. The Line of Credit (shown above in the Other column) total of \$3,062.50 relates to the financing docket DG 16-818 and were not contemplated in the settlement agreement to be part of the rate case expense and related surcharge.

Total adjusted expenses, therefore:

Legal	\$33,897.50
Consultants	<u>\$ 6,021.25</u>
Total	\$39,918.75

Conclusion

Based on detailed review of the reported revenues and expenses, the requested surcharge of \$2.05 for April and May should be a refund of \$0.14:

	<u>As Requested</u>			<u>As Audited</u>	
	Steam Sales	Surcharge	Revenue	surcharge	Revenue
November 2016	11,660	\$0.61	\$ 7,112.60	\$0.61	\$ 7,112.60
December 2016	18,075	\$0.61	\$ 11,025.53	\$0.61	\$ 11,025.53
January 2017	21,092	\$0.61	\$ 12,865.92	\$0.61	\$ 12,865.92
February 2017	<u>16,973</u>	\$0.61	<u>\$ 10,353.41</u>	\$0.61	<u>\$ 10,353.41</u>
Subtotal actuals	67,800		\$ 41,357.46		\$ 41,357.46
March 2017	13,749	\$0.61	\$ 8,386.71		\$ -0-
April 2017	7,524	\$0.61	\$ 4,589.80		\$ -0-
May 2017	<u>2,633</u>	\$0.61	<u>\$ 1,606.36</u>		<u>\$ -0-</u>
Subtotal projected	<u>23,906</u>		<u>\$ 14,582.87</u>		\$ -0-
TOTAL 11/2016 – 5/2017	91,706		\$ 55,940.33		\$41,357.46
Actual Expenses through 2/2017			<u>\$(76,793.27)</u>		<u>\$(39,918.75)</u>
Reported shortfall of surcharge recovery			\$(20,852.93)		\$ 1,438.71
Projected April and May steam sales			10,158		23,906
Additional surcharge for April/May		\$ 2.05		\$ 0.06	

Based on the actual revenue collected from November through February, \$41,357.46 and the DG 16-769 expenses of \$39,918.75, the Company has over-collected the rate case expenses, and should refund the over-collection to customers in the months of March, April, and May, at the projected \$0.06 per Mlb. If the March invoices are generated prior to this audit memo, the refund figure will be different, based on March actual revenue.