

STATE OF NEW HAMPSHIRE

Inter-Department Communication



DATE: August 29, 2018
AT (OFFICE): NHPUC

TUF

FROM: Rich Chagnon
Utility Analyst – Electric Division

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

Commission Staff's review of Storm Costs through March 19, 2013

TO: Commissioners
Debra Howland, Executive Director

CC: Tom Frantz, Director, Electric Division
Amanda Noonan, Director, Consumer Services and External Affairs
Les Stachow, Assistant Director, Electric Division
Suzanne Amidon, Staff Attorney
Karen Moran, Chief Auditor

Summary

On April 5, 2018, Public Service Company of New Hampshire d/b/a Eversource Energy (Eversource or Company) filed for recovery of storm expenses through the Company's Major Storm Cost Reserve (MSCR). On April 13, Eversource filed a revision to the initial filing. Eversource requested that storm costs that have already been submitted by the Company, and audited by the New Hampshire Public Utilities Commission (Commission) Audit Staff, be approved for recovery from the MSCR. For those storm costs submitted, but not yet audited, Eversource requested that those costs be audited, and that following the audit, the costs be approved for recovery through the MSCR.

Staff has completed its review of Eversource's storm costs relating to pre-staging and storm restoration efforts from August 28, 2011 through March 19, 2013. These costs have been audited and properly adjusted by the Company. Staff recommends that the Commission approve recovery in the amount of \$49,021,172 from the MSCR fund effective September 30, 2018. With the assistance of Audit Staff, this amount, which

includes appropriate carrying charges associated with the costs incurred, has been confirmed by Staff.

Audit Staff is currently auditing the storm costs submitted by Eversource for storm related costs incurred from December 2013 through April 2016.

Background

For background on the MSCR fund: As part of the settlement regarding restructuring in Docket No. DE 99-099, Eversource established the MSCR for the purpose of covering the incremental costs associated with severe weather events. Under the MSCR, Eversource recovers from customers through its distribution rates a specified annual amount to be used in the event a Major Storm occurs. Eversource simultaneously records a liability into its MSCR equal to the amount that it recovers from customers so that the recovery does not result in earnings accruing to Eversource. Costs incurred by Eversource for restoration of service during a weather event qualifying as a Major Storm are charged to the MSCR. The level of funding for the MSCR has varied over time, but has been at a level of \$12 million annually since 2013. Following Order No. 25,465 (February 26, 2013) in Docket No. DE 12-320 if certain defined criteria are met, Eversource may also charge specified pre-staging costs to the MSCR for events that do not ultimately rise to the level of a Major Storm.

On April 7, 2014, Commission Audit Staff filed its final report on its audit of storm costs from August 28, 2011 through March 19, 2013. These costs were for the following seven weather events: (1) Major Storm Irene (2011); (2) Major Storm October Snowstorm (2011); (3) Major Storm Sandy (2012); (4) December 27, 2012 Pre-Staging event; (5) February 8, 2013 Pre-Staging event; (6) February 27, 2013 Pre-Staging event; and (7) March 19, 2013 Pre-Staging event. Documentation of these storm costs originated in Docket No. DE 12-110 and Docket No. 13-127.

On April 5, 2018, in Docket No. DE 18-058, Eversource filed for recovery of these storm expenses, as well as recovery for additional storm costs through the MSCR. On April 13, Eversource filed a revision to its initial filing. Eversource requested that storm costs that have already been submitted by the Company, and audited by the Commission Audit Staff (April 7, 2014), be approved for recovery from the MSCR.

Also as a part of this filing, Eversource requested to have eight additional storm and pre-staging events that occurred from December 2013 through April 2016 be audited, and requested to have the Commission approve the audited costs for recovery from the MSCR. These eight events are: (1) December 20, 2013 Pre-Staging Event; (2) March 12, 2014 Pre-Staging event; (3) November 26, 2014 Major Storm; (4) December 9, 2014 Pre-

Staging event; (5) January 4, 2015 Pre-Staging event; (6) January 26, 2015 Pre-Staging event; (7) February 15, 2015 Pre-Staging event; and (8) April 3, 2016 Pre-Staging event.

Audit Staff is currently auditing the supporting documentation submitted by Eversource for the eight additional storm related events listed above between December 2013 through April 2016.

The Company reported that its MSCR fund balance, including carrying charges at the stipulated rate of return, was \$79,641,902 as of December 31, 2017.

Staff Analysis

In discussions between Eversource and Staff regarding the recovery of the audited costs from August 28, 2011 through March 19, 2013 from the MSCR fund, Eversource explained that it had not received for approval from the Commission to transfer the funds from the MSCR fund after the audit report was issued (April 7, 2014). The Company explained that the stipulated rate of return that the MSRC fund balance earns is the same rate as the carrying charges accruing on the storm costs. As a result, customers have not been harmed in any way in regards of when audited storm costs are recovered from the MSCR fund. Eversource stated that it has accepted all of the audit adjustments outlined in the Commission Audit Report dated April 7, 2014.

On August 23, 2018, Staff requested that Eversource prepare final costs relating to pre-staging and storm restoration efforts from August 28, 2011 through March 19, 2013 which include the Company's accepted audit adjustments and updated carrying charges to reflect what the total storm cost balance would be effective September 30, 2018. Staff also requested the Company's methodology for determining its carrying charges on storm costs and the interest earned on the MSCR fund on a quarterly basis, known as the stipulated rate of return. Finally, Staff requested the amount of the anticipated balance of the MSCR fund effective September 30, 2018 prior to any transfer of funds.

Once the requested information detailed above was received, Staff committed to review the costs submitted using the April 7, 2014 audit report for accuracy, and confirm the methodology of carrying charges. With assistance from Audit Staff, once Staff is able to confirm that the total costs submitted for these storm related charges are accurate, then Staff would recommend that the Commission approve the funds be transferred from the MSRC fund effective September 30, 2018 to cover these costs.

On August 27, Eversource submitted the information requested in a live Excel file detailing the total cost of \$49,021,172 with an effective date of September 30, 2018.

Staff has reviewed the costs submitted, confirmed that the adjustments from the audit report have been properly accepted by the Company and calculated correctly, that the carrying charges were correctly calculated from the stipulated rate of return, and confirmed that the total costs match the same total anticipated by Audit Staff for an effective date of September 30, 2018.

The Company reported that prior to any transfer of funds from the MSCR fund, the balance of the MSCR fund will be \$91,877,184 on September 30, 2018.

Once Audit Staff completes its current audit of the storm costs submitted by Eversource for eight additional storm related events between December 2013 through April 2016, Staff will review the final result and determine a recommendation for the Commission's consideration.

Eversource has also committed to file testimony under a new docket for its additional storm costs not yet submitted for revenue recovery by the Company for the dates from May 2016 through December 2017, by October 1, 2018. Audit Staff did receive supporting documentation for the storm related costs for this timeframe, and is currently auditing these costs as well.

Staff Recommendation

Staff has completed its review of Eversource's storm costs relating to pre-staging and storm restoration efforts from August 28, 2011 through March 19, 2013. These costs have been audited and properly adjusted by the Company. Staff recommends that the Commission approve recovery in the amount of \$49,021,172 from the MSCR fund effective September 30, 2018.

SERVICE LIST - EMAIL ADDRESSES- DOCKET RELATED

Pursuant to N.H. Admin Rule Puc 203.11 (a) (1): Serve an electronic copy on each person identified on the service list.

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FILING INSTRUCTIONS:

- a) Pursuant to N.H. Admin Rule Puc 203.02 (a), with the exception of Discovery, file 7 copies, as well as an electronic copy, of all documents including cover letter with: DEBRA A HOWLAND
EXEC DIRECTOR
NHPUC
21 S. FRUIT ST, SUITE 10
CONCORD NH 03301-2429
- b) Serve an electronic copy with each person identified on the Commission's service list and with the Office of Consumer Advocate.
- c) Serve a written copy on each person on the service list not able to receive electronic mail.