

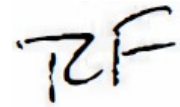
STATE OF NEW HAMPSHIRE

Inter-Department Communication

DATE: September 8, 2020

AT (OFFICE): NHPUC

FROM: Rich Chagnon
Assistant Director – Electric Division



SUBJECT: DE 19-050
Public Service Company of New Hampshire d/b/a Eversource Energy
Petition for Recovery of Storm Expenses

Commission Staff's review of Storm Costs from July 2016 through
December 2017

TO: Commissioners
Debra Howland, Executive Director

CC: Tom Frantz, Director, Electric Division
Amanda Noonan, Director, Consumer Services and External Affairs
Lynn Fabrizio, Staff Attorney
Karen Moran, Chief Auditor
Krista Leigh, Examiner

Summary

On March 19, 2019, 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). Eversource requested to have eleven storm and pre-staging events that occurred from July 2016 through December 2017 audited, and requested that the Commission approve the audited costs for recovery from the MSCR.

On May 20, 2020, Eversource filed a revision to its initial filing as recommended by the Commission Audit Staff (Audit) that revisions be submitted to correct transposed entries in the initial filing.

Commission Staff (Staff) has completed its review of Eversource's storm costs submission and the recommendations made by Audit in the Final Report. (See Attachment RTC-1)

Staff recommends the Commission disallow \$19,552 for communications costs in the storm fund, and recommends that the Commission issue a Secretarial Letter to approve recovery in the amount of \$49,179,461 from the MSCR fund, effective December 31, 2017, as determined in the Final Report recommendation, in addition to any adjusted amount of appropriate carrying charges.

Background

As part of the settlement regarding restructuring in Docket DE 99-099, Eversource established the MSCR for the purpose of recovering 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 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.

In its March 19, 2019 filing, the Company reported that its MSCR fund balance, including carrying charges at the stipulated rate of return, was approximately \$8.3 million, after the offset for storms that occurred from December 2013 through June 2016 that were filed with the Commission in Docket DE 18-058 but had not yet been approved for recovery through the MSCR. Costs for these storms and pre-staging events were approved by Secretarial Letter on March 26, 2019.

On June 4, 2020, Audit filed its Final Report of storm costs from: (1) July 23, 2016 Major Storm; (2) December 29, 2016 Pre-Staging event; (3) February 12, 2017 Pre-Staging event; (4) February 16, 2017 Pre-Staging event; (5) March 2, 2017 Major Storm; (6) March 14, 2017 Pre-Staging event; (7) March 15, 2017 Major Storm; (8) March 31, 2017 Pre-Staging event; (9) October 29, 2017 Major Storm; (10) December 23, 2017 Major Storm; and (11) December 25, 2017 Pre-Staging event.¹

Staff Analysis

Audit Issue #1 has been resolved with the removal of \$46,614 by the Company.

Audit Issue #2 has been resolved with the removal of \$2,169 by the Company.

¹ The Audit Summary begins on page 61 of the Final Report (Attachment RTC-1).

Audit Issue #3 has been resolved with the removal of \$310 by the Company.

Audit Issue #4 identified charges from West Interactive Services Corporation in the amount of \$19,552 for communications² costs. Although Staff does not challenge the prudence of these costs, during Audit's review of the supporting documentation, it was determined that these expenditures were for items that were deemed not applicable for recovery from the storm fund, as they are not related to the restoration of power, and that these costs should be disallowed for recovery through the storm fund. The disallowance for these expenditures through the storm fund is consistent with the Secretarial Letter issued on March 26, 2019³ in Docket DE 18-058 disallowing similar communications costs.

Staff notes that in Docket DE 19-057, Eversource's Notice of Intent to File Rate Schedules (Rate Case), the Company has included the request for an annual revenue requirement in base rates for costs related to communications to customers during storm restoration and pre-staging events. This issue should be addressed in the Rate Case and any order stemming from that case.

Staff Recommendation

Staff recommends the Commission disallow \$19,552 for communications costs in the storm fund, and recommends that the Commission issue a Secretarial Letter to approve recovery in the amount of \$49,179,461 from the MSCR fund, effective December 31, 2017, as determined in the Final Report recommendation, in addition to any adjusted amount of appropriate carrying charges.

² Communications costs for out-dial usage, email, and SMS notifications to customers during certain Pre-Staging and Storm events.

³ https://www.puc.nh.gov/Regulatory/Docketbk/2018/18-058/LETTERS-MEMOS-TARIFFS/18-058_2019-03-26_SEC_LTR_EVERSOURCE_STORM_EXPENSES.PDF

STATE OF NEW HAMPSHIRE
Inter-Department Communication

DATE: June 4, 2020

AT (OFFICE): NHPUC

FROM: Krista Leigh, Examiner

SUBJECT: Public Service of New Hampshire (PSNH) d/b/a Eversource Energy
DE 19-050 Major Storms 2016 - 2017
FINAL REPORT

TO: Tom Frantz, Director Electric Division
Rich Chagnon, Assistant Director

INTRODUCTION

On March 19, 2019 Eversource (PSNH, the Company) filed a petition to recover costs of eleven storm and pre-staging events that occurred between July 2016—December 2017. The filing was docketed as DE 19-050 and is consistent with the request in the February 2, 2019 recommendation of the Commission Staff in Docket No. DE 18-058, as well as the March 26, 2019 secretarial letter which stated that 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 Company is not seeking a rate adjustment of any kind, rather requests Commission approval to recover the costs from the Major Storm Cost Reserve (MSCR), which was specifically designed for that purpose.

Definition of a Major Storm and Authorized Pre-Staging Event

Using an Energy Event Index (EEI) from the Data Transmission Network (DTN), the Company reviews the forecasted data which ranks the potential strength of a storm from 1 to 5, with 5 being the most severe. A major storm is defined as 10% or more of retail customers being without power, in conjunction with more than 200 reported troubles, or more than 300 troubles

reported during the event. Pre-staging costs are based on at least a 60% probability that the storm will reach a level 3 or stronger, according to the EEI.

Audit reviewed Order 25,465 issued on 2/26/2013 in docket DE 12-320 which approved the pre-staging costs, as well as reaffirmed the definition of a major storm. Page 1 of the Order also stated the following: *“The MSCR is an accounting mechanism that has previously been approved by the Commission and provides for the recovery from customers of a specified annual amount in distribution rates that is used to offset costs incurred in the event that a qualifying Major Storm occurs.”*

The March 19, 2019 Testimony of Marc Lemenager (Bates page 000007) indicates the following: *“The Company’s storm fund balance, including carrying charges at the stipulated rate of return...includes funds that will be used in part to offset storms from 2013 through June 2016 that were filed with the Commission in DE 18-058 but have not yet been approved for recovery via the MSCR.”* The costs previously audited in docket DE 18-058 and approved for recovery by the Commission in a Secretarial Letter, dated March 26, 2019, are summarized in the following:

	Reported Cost Balance 12/31/2017	Less: Audit Report Adjustment	Adjusted Report Balance	Additional Audit Adjustments	Staff Recommended Balance
12/20/13 Pre-Staging Costs	\$5,441,858	(\$93,171)	\$5,348,687	(\$6,800)	\$5,341,887
3/12/14 Pre-Staging Costs	\$283,963	(\$36,677)	\$247,286		\$247,286
Thanksgiving Storm (11/26/14)	\$30,441,614	(\$70,103)	\$30,371,511	\$35,033	\$30,406,544
12/9/14 Pre-Staging Costs	\$638,482	(\$41,467)	\$597,015		\$597,015
1/4/15 Pre-Staging Costs	\$50,610		\$50,610		\$50,610
1/26/15 Pre-Staging Costs	\$1,145,027	(\$46,722)	\$1,098,305		\$1,098,305
2/15/15 Pre-Staging Costs	\$253,920	(\$41,012)	\$212,908		\$212,908
4/3/16 Pre-Staging Costs	\$153,135		\$153,135		\$153,135
Totals	\$38,408,609	(\$329,152)	\$38,079,457	\$28,233	\$38,107,690
	(Rounding)				
Total Deferred MSCR Costs					<u>\$38,107,690</u>

Audit noted that on Page three of a Secretarial Letter, dated March 26, 2019, “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 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.” On April 11, 2019, The Company notified Staff of the adjusted amount of recovery costs, totaling \$40,519,109, and provided a spreadsheet detailing the calculation of adjusted carrying costs, as well as the detailed journal entry depicting the offset of this amount to the storm funding account.

General Ledger

The storm cost reserve is General Ledger Account #18643. Audit reviewed the Company provided General Ledger (GL), as well as an Excel spreadsheet detailing the monthly activity within the account. Audit noted a \$132,974,957 balance as of December 31, 2017 that matched the total deferred MSCR storm costs reported. This amount includes the 2016-2017 storm events subject to this filing, as well as the 2011-2013 storm costs requested for recovery and the 2013-2016 storm costs, both of which were filed in Docket No. DE 18-058. As of December 31, 2017 the Company had not offset the recovery amounts by the storm funding account.

The costs related to the previously audited storms, including adjusted carrying costs, were approved for recovery in the Commission’s Secretarial letter dated September 17, 2018 for the 2011-2013 storm cost total of \$49,021,172 and March 26, 2019 for the 2013-2016 storm cost total of \$40,519,109. Combined, these previously audited storm costs total \$89,540,281 and as of December 31, 2017, they had not been offset by the storm fund reserve account. On September 25, 2018, the Company offset the \$49,021,172 in total storm costs and carrying charges, for the 2011-2013 storm events, by the storm funding account. In March 2019, the Company offset the \$40,519,109 costs associated with the audit of the 2013-2016 storms.

The testimony of Mr. Lemenager, Bates page 000007 reflects the MSCR funding reserve history, with a reported balance as of February 28, 2019 of \$48.8 million for the storm fund reserve account. The funding, which is posted to GL account #22843, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account.

The DE 19-050 Summary of Requested Storm and Pre-Staging Cost Recovery

The following costs are subject to this audit and summarized in Docket No. DE 19-050:

<u>Event</u>	<u>Costs</u>	<u>Carrying Costs 2/28/19</u>	<u>Total Cost 2/28/19</u>
07/23/16 Storm	\$ 4,078,516	\$ 553,113	\$ 4,631,629
12/29/16 Pre-Staging	\$ 1,025,023	\$ 120,325	\$ 1,145,349
02/12/17 Pre-Staging	\$ 161,058	\$ 16,825	\$ 177,884
02/16/17 Pre-Staging	\$ 41,464	\$ 3,187	\$ 44,651
03/02/17 Storm	\$ 2,235,611	\$ 259,696	\$ 2,495,307
03/14/17 Pre-Staging	\$ 593,484	\$ 224,473	\$ 817,957
03/15/17 Storm	\$ 2,610,183	\$ 61,969	\$ 2,672,152
03/31/17 Pre-Staging	\$ 346,924	\$ 34,525	\$ 381,449
10/29/17 Storm	\$ 32,143,515	\$ 2,199,663	\$ 34,343,178
12/23/17 Storm	\$ 2,083,497	\$ 126,309	\$ 2,209,805
12/25/17 Pre-Staging	<u>\$ 309,778</u>	<u>\$ 18,966</u>	<u>\$ 328,744</u>
Total	\$ 45,629,053	\$ 3,619,052	<u>\$ 49,248,106</u>

The Company provided Excel spreadsheets for each storm event, detailing the storm cost summary itemized by contractor and procurement card charges, as well as the payroll cost summary. Additionally, spreadsheets detailing the charges for overheads, vehicles, materials, and employee expenses were also included. Audit noted that carrying costs and total costs on the storm cost summary sheets for the 3/2/17, 3/14/17, and 3/15/17 storm events were different than the carrying costs and total costs filed per storm event and summarized in Docket No. DE 19-050, as indicated by the testimony given and recorded on Bates page 8 of the filing.

Audit questioned this discrepancy. The Company responded by stating that the carrying charges, for the two storms and one pre-staging event, were the result of a “*transposition within the table on Bates 8.*” As such, the filing depicts the correct amount in carrying charges, albeit transposed: the actual 3/15/17 carrying charges totaling \$259,696, are erroneously listed as the amount subject to the 3/2/17 storm event; the actual 3/2/17 carrying charges totaling \$224,473, are erroneously listed as the amount subject to the 3/14/17 pre-staging event; and the actual 3/14/17 carrying charges totaling \$61,969, are erroneously listed as the amount subject to the 3/15/17 storm event. Audit acknowledges that the transposition error in the filing does not impact the total cost amount of \$49,248,106 subject to recovery. Audit requested the Company provide an accurate summary of the costs as they were intended (i.e. without the transposition of carrying costs), as well as formally submit the adjustment to the Bates page within the actual docket. In response, the company provided Audit with the accurate summary of storm costs. On May 20, 2020, the Company formally submitted the following to the Commission, with the corrected Bates page 8, as subject to this audit and as a revision to the testimony in Docket No. DE 19-050:

Event	Costs	Carrying Costs 2/28/19	Total Cost 2/28/19
07/23/16 Storm	\$ 4,078,516	\$ 553,113	\$ 4,631,629
12/29/16 Pre-Staging	\$ 1,025,023	\$ 120,325	\$ 1,145,349
02/12/17 Pre-Staging	\$ 161,058	\$ 16,825	\$ 177,884
02/16/17 Pre-Staging	\$ 41,464	\$ 3,187	\$ 44,651
03/02/17 Storm	\$ 2,235,611	\$ 224,473	\$ 2,460,085
03/14/17 Pre-Staging	\$ 593,484	\$ 61,969	\$ 655,453
03/15/17 Storm	\$ 2,610,183	\$ 259,696	\$ 2,869,880
03/31/17 Pre-Staging	\$ 346,924	\$ 34,525	\$ 381,449
10/29/17 Storm	\$ 32,143,515	\$ 2,199,663	\$ 34,343,178
12/23/17 Storm	\$ 2,083,497	\$ 126,309	\$ 2,209,805
12/25/17 Pre-Staging	\$ 309,778	\$ 18,966	\$ 328,744
Total	\$ 45,629,053	\$ 3,619,052	\$ 49,248,106

The Company also supplied Audit with an Excel spreadsheet (Audit-011) and stated that it, “Reflects the revised storm costs and associated carrying costs, with all calculations, through March 2019...The Company is seeking the recovery of the storm costs illustrated in Attachment Audit-011, which includes the two credits that became known after the testimony was filed, plus the associated carrying costs through the date the Commission approves the costs, consistent with prior practice. Carrying costs on the storm costs, as well as the reserve funding, will continue to accrue on a monthly basis.”

Audit understands that the carrying costs continue to accrue after the March 19, 2019 filing for storm cost recovery and before the written approval for recovery by the Commission. As such, the Company will have the opportunity to prepare the final costs related to pre-staging and storm restoration efforts from July 23, 2016 through December 25, 2017 and subject to an effective date as determined by the Commission, after the audit of these costs is complete. At that time, the Company’s prepared final costs will include the updated carrying costs as accrued through the Commission determined effective date.

Each storm or pre-stage event was summarized by work order and expense type, with the following compiled by Audit:

Event Date	07/23/16	12/29/16	02/12/17	02/16/17	03/02/17	03/14/17	03/15/17	03/31/17	10/29/17	12/23/17	12/25/17	Totals
Event Type	Storm	Pre-Stage	Pre-Stage	Pre-Stage	Storm	Pre-Stage	Storm	Pre-Stage	Storm	Storm	Pre-Stage	By
Workorder	<u>MS16J006</u>	<u>EXPSTGB6</u>	<u>EXPSTGA7</u>	<u>EXPSTGB7</u>	<u>MS17C006</u>	<u>EXPSTGC7</u>	<u>MS17E006</u>	<u>EXPSTGD7</u>	<u>MS17N006</u>	<u>MS17Q006</u>	<u>EXPSTGF7</u>	<u>Increment</u>
Contractor/Vendor	\$ 2,708,888	\$ 879,465	\$ 61,333	\$ 19,708	\$ 1,504,781	\$ 566,380	\$ 1,714,758	\$ 269,131	\$ 26,285,010	\$ 1,325,363	\$ 91,641	\$ 35,426,458
Storm Payroll	857,993	99,219	60,388	12,291	552,857	12,586	676,459	57,641	4,521,811	570,372	197,091	7,618,708
Payroll OH/Tax	240,694	10,307	4,179	-	45,870	3,557	55,381	3,873	364,651	20,003	3,914	752,429
Vehicle Expenses	233,691	33,875	33,222	9,367	114,428	9,930	133,711	13,407	485,591	107,435	16,557	1,191,214
Other Employee Expense	32,968	2,157	1,937	98	8,242	1,030	11,968	2,872	72,776	59,622	575	194,245
Materials	<u>4,281</u>	-	-	-	<u>9,434</u>	-	<u>17,906</u>	-	<u>413,676</u>	<u>702</u>	-	<u>445,999</u>
Total Costs	\$ 4,078,516	\$ 1,025,023	\$ 161,058	\$ 41,464	\$ 2,235,611	\$ 593,483	\$ 2,610,183	\$ 346,924	\$ 32,143,515	\$ 2,083,497	\$ 309,778	\$ 45,629,052
Carrying Charge												
a/o 2/28/19	<u>553,113</u>	<u>120,325</u>	<u>16,825</u>	<u>3,187</u>	<u>224,473</u>	<u>61,969</u>	<u>259,696</u>	<u>34,525</u>	<u>2,199,663</u>	<u>126,309</u>	<u>18,966</u>	<u>3,619,051</u>
TOTAL	\$ 4,631,628	\$ 1,145,349	\$ 177,884	\$ 44,651	\$ 2,460,085	\$ 655,453	\$ 2,869,880	\$ 381,449	\$ 34,343,178	\$ 2,209,805	\$ 328,744	\$ 49,248,106

07/23/16 Major Storm Event MS16J006 \$4,631,629

Audit requested and reviewed the weather forecast, as outlined in summaries from the DTN, for each of the filed storm events. According to the Schneider Electric Event Index Definition for July 23, 2016, the weather forecast was described with a “medium” probability (i.e. between 30% and 60%) of reaching EEI Level 2, as determined by wind speeds greater than 35 mph, in all regions of the state. The Company also submitted a storm tracking spreadsheet recording the customer accounts reporting no power at peak times, as well as the reported customer power outages. Customer accounts without power at peak times totaled 60,012, with a total of 78,773 customers reporting a power outage.

Order No. 25,465, issued on February 26, 2013, states that, “Under the MSCR, a qualifying major storm is defined as a storm that results in either 10% or more of PSNH’s retail customers being without power in conjunction with more than 200 reported troubles, or more than 300 reported troubles during the event.” As such, the Company reported 633 troubles during the storm and Audit verified this against the provided storm tracking spreadsheet. Moreover, Audit noted that—according to the Company’s 2018 Annual Report, “As of December 31, 2018, PSNH furnished retail franchise electric service to approximately 519,000 retail customers.” Therefore, the 78,773 customer reported power outages is a qualifying factor in defining this event as a major storm and subject to recovery of storm costs through the MSCR.

Audit was provided with Attachment MEL-1 which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 2,708,888
Direct Labor (WMECO and other NU Companies)	857,993
Payroll Related Overheads and Taxes	240,694
Vehicles	233,691
Other Employee Related Expenses	32,968
Material (including Stores Loading and Lobby Stock)	4,281
Carrying Charge through December 31, 2017	<u>553,113</u>
Actual Storm Reserve Balance February 28, 2019	<u>\$ 4,631,629</u>

Documentation from the July 23, 2016 Pre-staging Event, totaling \$2,708,888 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 18 invoices to review, totaling \$1,164,280 or 43% of the total amount in contractor, vendor, and mutual aid expenses.

External Contractors/Vendors, Mutual Aid and Procurement Cards \$2,708,888

There were a total of 544 contractors, vendor, and mutual aid invoices, plus procurement card expenses totaling \$2,708,888. The following depicts a summary of the expenses incurred, per expense category:

Contractor	\$ 1,978,022
Vegetation	630,764
Mutual Aid	-
Procurement Card	81,557
Environmental	-
Traffic Control / Police Services	17,123
Food and Lodging	1,421
Material	-
Other	-
Total External Contractors/Vendors, Mutual Aid, and Procurement Cards	<u>\$ 2,708,888</u>

Contractor

A total of \$1,978,022 in Contractor charges was recorded on the storm reserve account. Audit selected 8 of the 71 invoices, totaling \$994,445 or 50% of the total Contractor charges, to review in detail. Of the invoices reviewed, charges were for labor, equipment, and vehicles. Audit verified the dates of the invoices, the hours recorded as worked by the line crews, and the pay rates. No exceptions were noted.

Vegetation

\$630,764 was charged to the storm cost reserve for Vegetation services provided during the July 23, 2016 major storm event. Six invoices were reviewed by Audit, totaling \$167,968 or 27% percent of the total Vegetation invoices charged to the storm. All vegetation services were provided by Asplundh, Lewis Tree Service Inc., and Northern Tree Service, Inc. Audit reviewed invoices from each of the vendors with no exceptions noted.

Asplundh: An invoice totaling \$6,629.52 for line crews and equipment was reviewed by Audit. The dates of the invoice included labor performed between 7/24/16-7/28/16. Audit noted that the labor and equipment used, postdating the storm event of 7/23/16, was in response to “trouble” calls, as well as to provide the cleanup of vegetation damage.

Northern Tree Service, Inc.: Audit reviewed an invoice totaling \$10,665.87 for crew and equipment used for the purpose of “hazard tree removal.” Of the total amount listed on the

invoice, Audit noted that only sixteen of the one hundred twenty five hours recorded was for the hazard tree removal during the 7/23/16 storm event. As such, the Company only charged \$862 to the storm cost reserve, as that amount represents the sixteen hours of equipment used during the qualifying storm event.

Procurement Card

The total Procurement Card expenses were broken into three categories: Food and Lodging, Material, and Miscellaneous. The following depicts the Procurement Card Summary of Expenditures by Description:

Food and Lodging	\$ 79,285
Material	1,501
Miscellaneous	<u>772</u>
Total Procurement Cards	<u>\$ 81,557</u>

Audit selected eleven charges for review, totaling \$24,356 or 30% of the Procurement Card transactions, from each of the three expense categories. Audit requested the supporting documentation for each of the charges and the Company replied with the following statement:

“Upon reviewing the charges...the Company has determined that these [two expenses] are not applicable charges to the Weather Event. The Company will remove the \$1,199.96 and \$156.33 expenses from its recovery request.”

The following two transactions represent the amounts that the Company determined were not applicable for recovery for the storm event. Audit noted that supporting documentation was not provided for these two charges and concurs with the Company’s decision to remove the expenses from its recovery request.

Best Buy: A charge of \$1,200 was listed on attachment MEL-1. Supporting detail was not provided. **AUDIT ISSUE #1**

SIR Speedy Printing: An amount of \$156 was charged to the storm reserve. Supporting detail was not provided. **AUDIT ISSUE #1**

The Company provided Audit with copies of receipts and invoices as supporting documentation for the remaining nine charges sampled by Audit. The following exceptions were noted:

Belmont Hall: Audit reviewed credit card receipts supporting the \$1,579 in meals charges to the storm reserve account. Documentation was only provided for \$962 in charges,

thereby resulting in a total of \$617 in charges without supporting receipts and/or invoices.

AUDIT ISSUE #1

Salt Hill Pub: Two separate charges totaling \$5,442 were charged to the storm reserve account. Although a credit card statement was provided, listing the two individual payments in the amount of \$2,721, there was no supporting documentation given to identify the nature of the charges. **AUDIT ISSUE #1**

Traffic Control / Police Services

Seventeen invoices, totaling \$17,123, were charged to the storm reserve under the category of Traffic Control / Police Services. Audit selected five of these invoices for review. Services provided included police detail, cruiser rental fees, and traffic control. In addition to the invoices, Audit also reviewed the Application for Outside Police Work, detailing the rates and specific contract requirements between the police department and the Company, as well as the “Contractor Daily Work Report.” Two exceptions were noted.

Town of Boscawen: An invoice and Contractor Daily Work Report, totaling \$280, was paid for a police officer and cruiser rental needed for four hours of traffic control. Audit reviewed the Contractor Daily Work Report and noted that the date indicated that work was performed on 8/3/16; thereby, post-dating the 7/23/16 storm event. **AUDIT ISSUE #2**

New England Traffic Control: Three invoices, totaling \$10,238, were reviewed by Audit, as well as their accompanying Daily Time Sheets. Of the three invoices reviewed, only \$740 was charged to the storm cost reserve. One invoice totaled \$2,514 and Audit noted that the dates listed on both the line items of the invoice, as well as the daily time sheets, were for dates between 8/1/16 – 8/6/16; thereby, post-dating the 7/23/16 storm event. The other two invoices also post-dated the 7/23/16 storm event and were for amounts totaling \$4,079 and \$3,645 for work performed between 8/15/16-8/19/16 and 8/8/16-8/12/16 respectively. As such, Audit noted that the \$740 of submitted costs to the storm recovery from the three invoices, was erroneously charged to the storm cost reserve. **AUDIT ISSUE #2**

Food and Lodging

A total of \$1,421 in invoice amounts was recorded to the storm cost reserve. Audit selected an invoice, totaling \$716 in meals charges, to review in detail. No exceptions were noted.

Derry T-Bones: Audit reviewed an invoice for \$2,178.67 in meals charges throughout the month of July. The company only charged the portion of the invoice, totaling \$716, to the storm cost reserve, as this amount was incurred during the 7/23/16 eligible storm event.

Direct Labor (PSNH and other Companies) \$857,993

PSNH Distribution	\$	565,149
PSNH Transmission		23,972
EESCO		38,139
CL&P		166,341
NSTAR		149,376
CL&P Transmission		21,990
WMECO		23,451
Capitalization		<u>(130,425)</u>
Storm-related Payroll	\$	<u>857,993</u>

The Company initially provided the Itemization of Direct Labor sheets that listed each job class by company, along with the per employee hours worked and corresponding pay amount. Audit selected a total of fourteen job descriptions, which covered all seven of the companies and thirty-five individual employees, and requested the supporting time sheets for review. The following exception was noted:

CL&P: While providing the requested timesheets that correspond with Audit's request, the Company reported an overpayment of \$162. The Company stated that, "Upon reviewing the timesheets, Line 415 was identified as having charged hours under an incorrect pay code, resulting in an overpayment of [\$162]." **AUDIT ISSUE #3**

Audit inquired about seventeen employees from PSNH, NSTAR, and EESCO, who were paid a total of \$19,029 but with zero hours recorded as worked. In response, the Company provided an excel spreadsheet of sixteen employees receiving stipend payments, as well as screen shot of the actual time sheet from the remaining employee sampled. The time sheet provided displayed the hours worked for the employee who was listed with zero hours on the Itemization of Direct Labor. Additionally, the Company stated that, "...the charges that pertain to stipend payments, stipends were paid based on the amount of hours worked during the event, however, no hours are entered [to] accompany the stipend payment."

Audit recalls premium payments made to employees during the review of the 2013-2016 storm cost reserve, as outlined in docket DE 18-058, and inquired as to whether or not these payments are applicable to the current 2016-2017 storm review. The Company explained that,

“The reason the employee gets the 6% premium is based on the contract...including an excerpt from the Wage Section of the Local 369 contract [which states], ‘The Company agrees that, if employees are required to work outside of the territory served directly by the Company in order to render assistance to other companies, said employees shall be paid six percent (6%) above the employee’s regular hourly rate.’ The 6% premium is a contractual obligation for NSTAR represented employees per the wage stipulations in the contract. This obligation was applicable during the 2016-2017 storms.” Audit asked for clarification between the stipend and the premium payments. The Company stated that, *“Distinct from the 6% contractual premium stipends are compensation for exempt employees, at the level of manager and below, that work extended hours in support of the restoration process.”*

Audit questioned the inclusion of exempt employee payments, from each of the companies with Direct Labor amounts recorded, were included for hourly pay with the storm costs when their salaries are already included in the rate base. The Company explained in the following statement:

“Since the 7/23/16 storm was a Major Storm, direct labor costs were included. PSNH has always charged direct labor for Major Storms to a storm work order. The reason for this is to get an accurate measurement of the cost of restoration. That cost includes the cost of direct labor. When a test year is used for a rate case, the labor expense excludes any labor expense that has been charged to a Major Storm work order. Therefore, that expense is not part of the test year expense and is not included in PSNH's distribution rates. Consequently, there is no double recovery of the cost.”

Testimony of Mr. Lemenager (Bates page 000017) further explains that, *“Exempt employee time is captured and tracked in the same storm account. Since exempt employees are not routinely paid for overtime, this time entry is for tracking purposes only. During the most severe weather events, exempt employees are required to work an extensive number of hours over their typical work week. In certain cases, because of the extent of the hours worked, employees at the level of manager and below are awarded fixed compensation. The 07/23/16 Storm, 10/29/17 Storm and 12/25/17 Pre-Staging contain compensation awards for exempt employees who worked extended hour in support of the restoration process.”*

Payroll-related Overheads \$240,694

The Company provided the itemized payroll-related overhead amount, totaling \$240,694 for the 7/23/16 major storm, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits.

Audit requested the calculation for determining the Non-Productive Time Rate (NPT) and the Payroll Benefits Rate (PBR). In response, the Company provided the 2016-2017 Loader rates for the NPT and PBR, as well as an Excel spreadsheet detailing the payroll-related overhead calculations for each storm and pre-stage event.

Audit reviewed the NPT overhead and payroll benefits, noting that they were calculated based on the direct labor amounts for PSNH Transmission, NSTAR, WMECO, CL&P, and CL&P Transmission. The individual direct labor amounts were then multiplied by the corresponding 2016 overhead rate.

Individual division payroll benefits were calculated by taking the company's corresponding 2016 overhead rate and multiplying it by the direct labor amount for the specific division. The product is then added to the direct labor amount for the specific division and then multiplied by the company's corresponding 2016 payroll benefit rate.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted in spreadsheet (016) by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$	3,151
Payroll Benefits		<u>6,752</u>
Total PSNH Transmission	\$	<u>9,903</u>

NSTAR

Non-Productive Time Overhead	\$	28,848
Payroll Benefits		<u>57,265</u>
Total NSTAR	\$	<u>86,113</u>

WMECO

Non-Productive Time Overhead	\$	4,111
Payroll Benefits		<u>8,244</u>
Total WMECO	\$	<u>12,355</u>

CL&P

Non-Productive Time Overhead	\$	34,265
Payroll Benefits		<u>82,613</u>
Total CL&P	\$	<u>116,879</u>

CL&P Transmission

Non-Productive Time Overhead	\$	4,526
Payroll Benefits		10,919
Total CL&P	\$	15,445
Total Payroll-Related Overheads	\$	<u>240,694</u>

Audit recalculated the payroll-related overheads and noted that the direct labor amounts for NSTAR and CL&P included months other than July 2016 for the 07/23/16 storm event. As such, NSTAR included the months of August, November, and December of 2016 and February and September of 2017, while CL&P included August and December of 2016 and June of 2017. Audit questioned the inclusion of the direct labor totals from months outside of the July 23rd winter storm event. Eversource explained in the following:

“For the 07/23/16 Major Storm, the restoration and repairs occurred over multiple pay cycles, so some hours ended up falling into July (pay period ending 07/30/16) while other hours ended up falling into subsequent months, such as August. For the labor in months beyond August, there were corrections to correctly assign (remove) hours to (from) the work order and those charges will fall into the month the corrections were made.”

Vehicles \$233,691

The total vehicle expense for the July 23rd storm event was \$233,691. The vehicle charges were identified by company.

PSNH	\$	136,068
EESCO		-
CL&P		47,823
PSNH Transmission		1,863
NSTAR		22,250
WMECO		6,753
CL&P Transmission		<u>18,935</u>
	\$	<u>233,691</u>

Vehicle usage amounts were recorded for each of the following companies: PSNH, CL&P, PSNH Transmission, NSTAR, WMECO, and CL&P Transmission. The Company explained that, *“Vehicle costs are no longer calculated on a rate schedule, but rather are based on an allocation.”* Audit requested this allocation and the Company provided an Excel workbook with calculations, by department and vehicle, for the storm’s monthly vehicle cost by “sister company.” All of the vehicles were charged based on a the current annual cost of each vehicle compared with the percentage of the total cost of the fleet, and the sum of the dollars of productive labor including overtime (OT).

Audit requested further explanation of the calculation for vehicle charges to the storm reserve. The Company replied with the following explanation:

“Beginning in 2016, Eversource transitioned to an allocation process for vehicle costs. The actual vehicle costs for each subsidiary are accumulated and allocated to departments based on their vehicle complement. The vehicle cost assigned to each department is then allocated at the work order level based on productive labor.”

Audit also reviewed the vehicle allocation process and supporting Excel worksheets, as submitted by the Company, and requested a conference call with the Company’s Manager of NH Revenue Requirements, Erica Menard, and the Company’s Analyst, Marc Lemenager, in an effort to better understand the vehicle allocation process. The following describes the calculation method of vehicle charges to the storm reserve account:

The Cost Centers are assigned vehicles and then Source Cost Center clusters are developed, which are groupings of Cost Centers with a like compliment of vehicles (e.g. OH/UG lines, engineering, constructions, meters, etc.). Then, the total cost of the fleet for each cluster grouping is determined, based upon the current annual cost of each vehicle in that cluster. Each cluster’s percentage of the total cost of the fleet for that entity is determined. The cost center’s allocation percentage of the total cluster is then driven by the sum of the dollars of productive labor, including OT, but excluding non-productive and premium pay. The Cost Center’s labor will be used to allocate costs, using eligible work orders charged by each Source Cost Center to determine the number of labor dollars as a percentage of the total labor dollars in that cluster. The vehicle costs are accumulated in FERC account 184010 by entity and will be cleared monthly according to the percentage applied to each cluster. The Company explained that the vehicle allocation process will run the 2nd workday of the month after all payroll charges have been recorded and the process allocates the current month’s expenses. Furthermore, the Company stated that, *“Due to the nature of the allocation process, minimal vehicle charges may remain in the clearing account and will be added to the following month.”*

Audit examined the Excel worksheets provided by the Company, detailing the 2016-2017 labor and vehicle allocation based on vehicle percentage of usage within the specific company, as well as the annual cost of each vehicle within the cluster grouping. Companies used throughout all of the storm events’ vehicle allocation process include PSNH, CL&P, NSTAR, WMECO, NUSCO/EESCO, and Yankee Gas. Audit requested the vehicle types and class of the vehicles for each fleet within the cluster groupings indicated on the vehicle allocation spreadsheets. The Company provided the listing of vehicles, as well as the vehicle rates. Audit

recalculated the vehicle cost for each of the six companies whose vehicles were utilized during the July 23rd storm event. No exceptions were noted.

Other Employee-related Expenses \$32,968

The total Employee-related Expenses for the 07/23/16 storm event were \$32,968.

PSNH Distribution	\$ 22,854
CL&P	2,216
CL&P Transmission	590
NSTAR	3,773
PSNH Transmission	997
WMECO	457
EESCO	<u>2,080</u>
Total Employee and Other Logistical Expenses	<u>\$ 32,968</u>

PSNH provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. Audit selected five items, one from each expense category within PSNH Distribution, NSTAR, WMECO, and EESCO, and with a purchase price over \$25. The Company's policy does not require an employee submit a receipt if the purchase is under \$25.

The Company provided scanned copies of receipts, invoices and credit card statements in support of the meals, transportation and miscellaneous charges, noting that, "*Charges marked as 'meals other' are comprised of multiple stipend meals (\$10 for each small meal and \$20 for each large meal) in a single day.*" Audit reviewed the provided information and noted one exception.

BJ's Wholesale Club: Audit noted a receipt totaling \$258 for the purchase of candy and soda items. The date printed on the receipt was 7/30/16, thereby post-dating the 7/23/16 storm event. **AUDIT ISSUE #2**

Materials \$4,281

The Company provided a listing of all materials, including their quantities and total cost, as they were used during the storm. Audit selected four different material types from the 49 individual line items that were listed as issued during the storm. Audit requested documentation depicting the dates that the items were removed from inventory. The Company then provided a

spreadsheet listing the materials and corresponding area work center (AWC) locations of the items in question, along with the dates that the materials were removed from inventory. No exceptions were noted.

12/29/2016 Pre-staging Event EXPSTGB6 \$1,145,349

The weather forecast for December 29th described a “high” probability (i.e. greater than 60%) of reaching EEI Level 4, as determined by snow accumulation that is greater than 12 inches, in the Northern parts of the state. For the central, eastern, western, and southern regions of the state, the probability was also “high” of reaching EEI Level 3, indicating snow expectancy to be equal to or greater than 8 inches. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-2 which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 879,465
Direct Labor (WMECO and other NU Companies)	99,219
Payroll Related Overheads and Taxes	10,307
Vehicles	33,875
Other Employee Related Expenses	<u>2,157</u>
Total Storm Cost Transferred to Reserve	<u>\$ 1,025,023</u>
Carrying Charge through February 28, 2019	<u>\$ 120,325</u>
Actual Storm Reserve Balance February 28, 2019	<u>\$ 1,145,349</u>

External Contractors, Mutual Aid and Procurement Cards \$879,465

Documentation from the December 29, 2016 Pre-Staging Event, totaling \$879,465 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected 16 invoices, totaling \$618,294, of the 113 invoices to review, or 70% of the total amount of contractor, vendor, mutual aid, and procurement card expenses.

Summary of Expenditures by Description:

Contractor	\$ 728,378
Vegetation	94,244
Mutual Aid	-
Procurement Card	48,290
Environmental	-
Traffic Control / Police Services	944

Food and Lodging	6,935
Material	-
Other	<u>675</u>
Total Contractors, Mutual Aid, and Procurement Cards	<u>\$ 879,465</u>

Contractor

A total of \$728,378 in Contractor amounts was recorded on the storm reserve account. Audit selected invoices totaling \$594,289, or 82% of total contractor expenses, to review in detail. One exception was noted.

PAR Electric: An invoice, totaling \$225,460, was charged to the storm cost reserve for labor, equipment, and miscellaneous charges. Audit reviewed the date of the work performed and the labor rate charges, as well as a total miscellaneous charge of \$1,894. Part of the miscellaneous charge consisted of a 1/25/17 “PNC bank OT costs”, totaling \$1,631, which post-dates the 12/29/16 storm event and appears to be for charges unrelated to power restoration.

AUDIT ISSUE #3

Vegetation

\$94,244 was charged to the storm reserve for Vegetation services provided during the December 29th pre-stage event. Twenty-one percent of the total vegetation invoices, totaling \$19,581, were reviewed by Audit. All vegetation services reviewed were provided by Asplundh and Lewis Tree between 12/29/16 and 12/30/16. No exceptions were noted.

Traffic Control / Police Services

Two invoices, totaling \$944, were charged to the storm reserve under the category of Traffic Control / Police Services. Audit reviewed both of these invoices and noted the services provided included police detail and traffic control for the Lakes Region. One exception was noted.

New England Traffic Control Services: Audit reviewed an invoice for traffic control services totaling \$1,582. Although \$296 of the total invoice was the amount charged to the storm cost reserve fund, Audit noted that the actual hours recorded for work performed during the December 29th pre-stage event (i.e. work order number EXPSTGB6) only totaled \$185, resulting in overcharging the storm cost reserve fund by the variance of \$111. **AUDIT ISSUE #3**

Food and Lodging

A total of \$6,935 in invoices amounts was recorded to the storm reserve. Audit reviewed an invoice for \$2,818 in meals provided during the December 29th pre-stage event. No exceptions were noted.

Other

Comensura, Inc.: There was a total charge of \$675 to the storm cost reserve; however, Audit was not given the invoice or other documentation to support this charge. The Company provided a PDF file, containing 251 pages of invoices as supporting documentation for charges incurred during the December 29th pre-stage event; however, Audit was not able to locate the two Comensura invoices needed to support the \$675 in “other” charges. **AUDIT ISSUE #1**

Procurement Card

The total Procurement Card expenses were for Food and Lodging charges. The following is the Summary of Expenditures by Description:

Food and Lodging	\$	48,290
Contractor		-
Material		-
Miscellaneous		-
Total Procurement Cards	\$	<u>48,290</u>

Audit selected two invoices to review in detail, totaling \$15,985. Invoices reviewed were for meals and lodging provided during the December 29th pre-stage event. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$99,219

PSNH	\$	80,675
PSNH Transmission		11,477
NUSCO		1,242
CL&P		<u>5,825</u>
Storm-related Payroll	\$	<u>99,219</u>

PSNH initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. Audit selected for

review a total of fourteen employee pay amounts, covering the four companies and representing ten different job descriptions. Per Audit's request, The Company provided the individual time sheets for each of Audit's fourteen selections. No exceptions were noted.

Payroll-related Overheads \$10,307

The Company provided the itemized payroll-related overhead amount, totaling \$10,307 for the 12/29/16 pre-stage storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 7/23/16 major storm event for detail on how the Company calculated the overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted in spreadsheet (016) by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$	1,972
Payroll Benefits		<u>4,243</u>
Total PSNH Transmission	\$	<u>6,214</u>

CL&P

Non-Productive Time Overhead	\$	1,199
Payroll Benefits		<u>2,893</u>
Total CL&P	\$	<u>4,092</u>

Total Payroll-Related Overheads	\$	<u>10,307</u>
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Audit reviewed the Loader rates, as well as the payroll-related overhead calculation spreadsheet, and recalculated the non-productive time overhead and the payroll benefits for each company. No exceptions were noted.

Vehicles \$33,875

The total vehicle expense for the December 29th pre-stage event was \$33,875. The following vehicle charges were identified by company:

PSNH	\$	32,066
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NUSCO	8
PSNH Transmission	<u>1,801</u>
Total Vehicles	<u>\$ 33,875</u>

Vehicle usage amounts for the 12/29/16 pre-stage event were recorded for each of the following companies: PSNH, NUSCO, and PSNH Transmission. Audit reviewed the provided vehicle calculation spreadsheet and recalculated the vehicle cost for each of the three companies, based on the cost for each fleet and the dollars of productive labor. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-related Expenses \$2,157

The following depicts the total Employee-related Expenses for the December 29th pre-stage event:

PSNH	\$ 1,595
PSNH Transmission	120
NUSCO	<u>442</u>
Total Other Employee-Related Expenses	<u>\$ 2,157</u>

PSNH provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. PSNH's policy does not require an employee submit a receipt if the purchase is under \$25. Audit reviewed two items, one from PSNH and one from NUSCO, totaling \$1,685 between the meals and transportation expense categories.

Audit requested the receipts and invoices to support the meals and transportation category expenses. The Company provided copies of the restaurant receipts, hotel invoices and credit card statements. Audit reviewed the documentation, noting the memo by the Company stating that, *"Three hotel rooms for CSR's to use if needed during storm restoration. One night each (12-29-16). \$83.93 per room totaling \$251.79."* No exceptions were noted.

02/12/17 Pre-Stage EXPSTGA7 \$177,884

The weather forecast for February 12th described a "high" probability (i.e. greater than 60%) of reaching EEI Level 4, as determined by snow accumulation that is greater than 12 inches, in the central, eastern, northern, and southern parts of the state. For the western region of the state, the probability was also "high" of reaching EEI Level 3, indicating snow expectancy to

be equal to or greater than 8 inches. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

The Company provided Audit with Attachment MEL-3 which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	61,333
Direct Labor (WMECO and other NU Companies)		60,388
Payroll Related Overheads and Taxes		4,179
Vehicles		33,222
Other Employee Related Expenses		<u>1,937</u>
Total Storm Cost Transferred to Reserve	\$	<u>161,058</u>
Carrying Charge through February 28, 2019	\$	<u>16,825</u>
Actual Storm Reserve Balance February 28, 2019	\$	<u>177,884</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$61,333

Documentation from the February 12th pre-stage event, totaling \$61,333 in expenses, was submitted from contractors, vendors, and mutual aid invoices plus procurement card charges. Audit selected two invoices for review, totaling \$50,780 or 83% of the total contractors/vendors, mutual aid and procurement card charges.

Summary of Expenditures by Description:

Contractor	\$	-
Vegetation		9,240
Mutual Aid		-
Procurement Card		2,544
Environmental		-
Traffic Control / Police Services		-
Food and Lodging		260
Material		-
Other		<u>49,289</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	\$	<u>61,333</u>

Vegetation

A total of \$9,240 was charged to the storm reserve for Vegetation services provided during the February 12th pre-stage event. Sixteen percent of the total vegetation charges, totaling \$1,491, were reviewed by Audit. The vegetation service was provided by Lewis Tree for the week ending 2-18-17. The invoice was reviewed by Audit and no exceptions were noted.

Procurement Card

The total Procurement Card expense of \$2,544 was for Food and Lodging charges. The following is the Summary of Expenditures by Description:

Food and Lodging	\$	2,544
Contractor		-
Material		-
Miscellaneous		-
Total Procurement Cards	\$	<u>2,544</u>

Audit selected four invoices to review in detail totaling \$832 or 33% of the total procurement card charge. One exception was noted.

Online Great NH Restaurant: An amount of \$205 was recorded to the storm fund reserve as part of the itemization of procurement card charges. Audit requested the corresponding receipts as backup to this charge. However, no documentation was provided to support the amount. **AUDIT ISSUE #1**

Food and Lodging

A \$260 invoice from Chiggy's Place Restaurant comprised the total amount that was recorded to the storm reserve. Audit reviewed this invoice for meals provided on 2-13-17 and no exceptions were noted.

Direct Labor (PSNH and other Companies) \$60,388

PSNH	\$	49,999
PSNH Transmission		7,720
EESCO		<u>2,669</u>
Storm-related Payroll	\$	<u>60,388</u>

Eversource initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. Audit selected a total of five individual amounts, spread across five job classes and covering three of the companies. The company provided copies of the employee timesheets for four of the five selected labor amounts. However, no documentation was provided to support the labor selection amount totaling \$1,199. **AUDIT ISSUE #1**

Payroll-related Overheads \$4,179

The Company provided the itemized payroll-related overhead amount, totaling \$4,179 for the 2/12/17 pre-stage storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 7/23/16 major storm event for detail on how the Company calculated the overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH		
Non-Productive Time Overhead	\$	-
Payroll Benefits		-
Total PSNH	\$	-
PSNH Transmission		
Non-Productive Time Overhead	\$	1,289
Payroll Benefits		2,889
Total PSNH Transmission	\$	4,179
EESCO		
Non-Productive Time Overhead	\$	-
Payroll Benefits	\$	-
Total EESCO	\$	-
Total Payroll-Related Overheads	\$	4,179

Audit questioned why PSNH and EESCO are listed with Direct Labor charges—\$49,999 & \$2,669 respectively—but they don't have any payroll-related overheads reported. In response, the Company stated the following:

“Consistent with prior practice, the Company excludes payroll-related overheads associated with PSNH Distribution and the Service Company in all reserve events.”

Audit reviewed the Loader rates, as well as the payroll-related overhead calculation spreadsheet, and recalculated the non-productive time overhead and the payroll benefits for each company. No exceptions were noted.

Vehicles \$33,222

The total vehicle expense for the February 12th was \$33,222. The following vehicle charges were broken down by entity:

PSNH	\$	32,021
PSNH Transmission		1,201
EESCO		<u>-</u>
Total Vehicles	\$	<u><u>33,222</u></u>

Vehicle usage amounts were recorded for both PSNH and PSNH Transmission. Audit reviewed the provided vehicle calculation spreadsheet and recalculated the vehicle cost for the two companies, based on the cost for each fleet and the dollars of productive labor. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-related Expenses \$1,937

The following represents the total Employee-related Expenses for the February 12th pre-stage event:

PSNH	\$	1,348
PSNH Transmission		321
EESCO		<u>268</u>
Total Other Employee-Related Expenses	\$	<u><u>1,937</u></u>

The Company provided a spreadsheet with line items showing the amount of employee-related expenses by expense description which was sorted by company. The Company’s policy does not require an employee to submit a receipt if the purchase is under \$25.

Audit selected a meals charge, totaling \$1,207, to review in detail. Audit did not review items under \$25. Receipts were provided as supporting documentation and no exceptions were noted.

02/16/17 Pre-staging Event EXPSTGB7 \$44,651

The weather forecast for February 16, 2017 described a “high” probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow accumulation that is greater than 8 inches and ice accumulation that is greater than 3/8 of an inch, in the eastern and northern regions of the state. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-4 which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 19,708
Direct Labor (WMECO and other NU Companies)	12,291
Payroll Related Overheads and Taxes	-
Vehicles	9,367
Other Employee Related Expenses	<u>98</u>
Total Storm Cost Transferred to Reserve	<u>\$ 41,464</u>
Carrying Charge through February 28, 2019	<u>3,187</u>
Actual Storm Reserve Balance February 28, 2019	<u><u>\$ 44,651</u></u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$19,708

The following is a summary of expenditures by description, totaling \$19,708 in expenses from vendors, contractors, and mutual aid invoices, plus procurement card expenses for the February 16th pre-stage event:

Contractor	\$ 8,512
Vegetation	10,665
Mutual Aid	-
Procurement Card	358
Environmental	-
Traffic Control / Police Services	-
Food and Lodging	173
Material	-
Other	<u>-</u>
Total Contractors / Vendors, Mutual Aid, and Procurement Cards	<u><u>\$ 19,708</u></u>

Audit selected four invoices to review, totaling \$11,727 or 60% of the total contractor and vendor expenses. Copies of receipts supporting the charges were provided by the company. One exception was noted.

Contractor

West Interactive Services Corporation: Audit reviewed an invoice for \$76,480.10 for out-dial usage, a monthly recurring fee, email, and SMS notifications. Of the total invoice amount, the Company charged \$8,512 to the storm cost reserve (refer to page 22, within the “Other” category on 02/12/17, for the same invoice subject to both the 02/12/17 and 02/16/17 pre-stage events). Audit determined that these charges are not directly related to the restoration of power during the storm event. **AUDIT ISSUE #4**

Vegetation

A total of \$10,665 was charged to the storm reserve for Vegetation services provided during the February 16th pre-stage event. Thirty percent of the total vegetation invoice expenses, with a sum of \$3,181, were reviewed by Audit. All vegetation services were provided by Asplundh and Lewis Tree for the week ending 02/18/2017. No exceptions were noted.

Food and Lodging

A total of \$34 in was charged to the storm cost reserve for meals provided from Chiggy’s Place Restaurant for two workers on 02/16/2017 . Audit reviewed the invoice and accompanying guest check. No exceptions were noted.

Procurement Card

The following total Procurement Card expenses were for Food and Lodging charges:

Food and Lodging	\$	358
Contractor		-
Material		-
Miscellaneous		-
Total Procurement Cards	\$	<u>358</u>

Audit selected two invoices to review in detail, totaling \$188. Invoices reviewed were for meals and lodging provided during the February 16th pre-stage event. One exception was noted.

Fairfield Inn & Suites: Audit requested the supporting documentation for a charge of \$108 that was charged to the storm cost reserve. The Company was unable to locate the supporting documentation. **AUDIT ISSUE #1**

Direct Labor (PSNH and other Companies) \$12,291

PSNH	\$	12,217
EESCO		<u>73</u>
Storm-related Payroll	\$	<u><u>12,291</u></u>

PSNH initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. Audit selected a total of three job descriptions, covering the Direct Labor charges for both PSNH and EESCO. An Excel spreadsheet was received that listed the individual hours and pay by employee.

Audit requested copies of the selected employees' timesheets for review. The Company provided each of the times sheets in support of Audit's selections and no exceptions were noted.

Payroll-related Overheads \$0

The Company had no Payroll-related Overheads charged to the Storm Cost Reserve for the February 16th Pre-stage event. Refer to the 2/12/17 pre-stage event for the Company's explanation regarding no reported payroll-related overheads.

Vehicles \$9,367

The total vehicle expense for the February 16th pre-stage event was \$9,367. The following vehicle charges were identified by company:

PSNH	\$	9,367
EESCO		<u>-</u>
Total Vehicles	\$	<u><u>9,367</u></u>

Vehicle usage amounts were recorded for PSNH. Audit reviewed the provided Excel worksheets, detailing the labor and vehicle allocation percentage based on cost center and company, and recalculated the vehicle cost for PSNH, based on the cost for each fleet recorded and the dollars of productive labor issued. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-related Expenses \$98

The following is the total Employee-Related Expenses for the February 16th pre-stage event:

PSNH	\$	98
NUSCO		-
Total Other Employee-Related Expenses	\$	<u>98</u>

Eversource provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company. Eversource's policy does not require an employee submit a receipt if the purchase is under \$25. Audit selected the only PSNH item for review, totaling \$98, from the meals expense category and requested that the Company provide the supporting detail for the charge. One exception was noted.

Puritan Backroom: Included in the \$98 total meals charge was a master card receipt for \$78. The receipt only documented that an amount of \$78 was paid to the Puritan Backroom on 02/15/17; however, there was no itemization provided of what constituted the charge. **AUDIT ISSUE #1**

The remaining \$20 of the total \$98 meals charge was reported on a spreadsheet provided by the company, and consisting of two separate \$10 charges for individual employee meals. Given that each of these charges was less than the policy minimum amount of \$25 needed to have an accompanying receipt, Audit accepts that receipts were not necessary to support the \$20 charge.

Audit inquired if employees were allotted a per diem rate for meals on the days and/or evenings that they are working on power restoration due to a storm or pre-staging event. In response, the Company stated that, *"For the per diem meals, PSNH employees during [the February 12th and 16th pre-staging received \$10 per 'minor meal' and \$20 per 'major meal.'"*

03/02/17 Storm Event MS17C006 \$2,460,085

On March 2, 2017, high wind gusts occurred throughout the central, eastern, and portions of New Hampshire. This event ultimately left 27,953 PSNH customers without power at peak and a total of 39,654 PSNH customers reporting outages at least once. As such, this weather event qualified for the recovery of “major storm” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-5 which summarized the storm costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 1,504,781
Direct Labor (WMECO and other NU Companies)	552,857
Payroll Related Overheads and Taxes	45,870
Vehicles	114,428
Other Employee Related Expenses	8,242
Material	<u>9,434</u>
Total Storm Cost Transferred to Reserve	<u>\$ 2,235,611</u>
Carrying Charge through February 28, 2019	<u>224,473</u>
Actual Storm Reserve Balance February 28, 2019	<u>\$ 2,460,085</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$1,504,781

Documentation from the March 2nd major storm event, totaling \$1,504,781 expenses, was submitted from contractors, vendors, and procurement card charges. Audit selected 58% of the total contractors/vendors, mutual aid, and procurement card expenses to review. The following is the summary of expenditures by description:

Contractor	\$ 1,213,373
Vegetation	215,082
Mutual Aid	-
Procurement Card	62,542
Environmental	-
Traffic Control / Police Services	12,062
Food and Lodging	1,584
Material	138
Other	<u>-</u>
Total External Contractors / Vendors and Procurement Cards	<u>\$ 1,504,781</u>

Contractor

Eight invoices, totaling \$719,220 or 48% of the total Contractor expenses recorded to the storm cost reserve account, were reviewed by Audit. One exception was noted.

West Interactive Services Corporation: Audit reviewed an invoice for \$193,839 for out-dial usage, a monthly recurring fee, email, and SMS notifications. Of the total invoice amount, the Company charged \$11,040 to the storm cost reserve. However, Audit determined that these charges are not directly related to the restoration of power during the storm event. **AUDIT ISSUE #4**

Vegetation

A total of \$215,082 was charged to the storm reserve for Vegetation services provided during the March 2nd storm event. Fifty percent of the total vegetation invoice expenses, with a sum of \$107,910, were reviewed by Audit. All vegetation services were provided by Asplundh and Lewis Tree for 3/2/17-3/3/17 with no exceptions noted.

Procurement Card

The total Procurement Card expenses were for Food and Lodging, materials, and miscellaneous charges. The following is the Procurement Card Summary of expenditures by description:

Food and Lodging	\$	59,577
Contractor		-
Material		2,886
Miscellaneous		<u>79</u>
Total Procurement Cards	\$	<u><u>62,542</u></u>

Audit selected ten invoices to review in detail, totaling \$34,136. Invoices reviewed were for meals and lodging provided during the March 2nd storm event. Five exceptions were noted.

Best Western Executive: Two charges for Food and Lodging services were recorded to the storm cost reserve account, for a total of \$16,614. One charge was recorded for \$5,668 and the other was recorded for \$10,946. Audit requested the supporting receipts for these two amounts. The Company was not able to provide receipts for the \$5,668. Only partial receipts were provided, totaling \$7,785, for the \$10,946 recorded amount; thus, \$3,161 of the \$10,946 in charges had no accompanying receipts. As such, a total of \$8,829 in total charges (\$5,668 + \$3,161) were included in the storm cost reserve account without supporting documentation. **AUDIT ISSUE #1**

Holiday Inn Express: A charge of \$4,208 was charged to the storm cost reserve account for food and Lodging services. Audit requested the accompanying receipts in support of the charge but the receipts were not provided. **AUDIT ISSUE #1**

Longhorn Steak: Audit selected one invoice to review in detail, totaling \$3,869. A credit card receipt was provided, referencing the transaction date of 3/2/17 and the amount of the charge. However, no restaurant receipt or itemization of charges was provided in order for Audit to review the details of the charge. **AUDIT ISSUE #1**

TB Meats Sweets: A charge of \$2,065 was charged to the storm cost reserve account for Food and Lodging services. Audit requested the receipts, accompanying this charge, for review. Although The Company provided an invoice from T-Bones of Bedford, totaling \$2,182.36, of which only \$2,065 of the total invoice was submitted to the storm cost reserve, there were no accompanying receipts or itemization listed for the charge incurred. **AUDIT ISSUE #1**

The Yard Restaurant: Food and Lodging charges were incurred on the storm cost reserve account, totaling \$4,856. Audit requested the accompanying receipts in support of the charge. However, The Company did not provide the supporting documentation. **AUDIT ISSUE #1**

Traffic Control / Police Services

A total of \$12,062 was charged storm cost reserve under the category of Traffic Control / Police Services. Audit reviewed two of these invoices and noted that the services provided included police detail and traffic control for the western and seacoast regions of the state. One exception was noted.

New England Traffic Control Services: Audit reviewed two invoices for traffic control services totaling \$9,380. Of this total in combined invoice amounts, the amount that was actually charged to the storm cost reserve was \$4,500, including one invoice totaling \$2,104 and another invoice totaling \$2,396, for work performed on 3/2/17 and 3/3/17. The Company stated that, *"For the Keene invoice, in reviewing the charges and supporting material, the Company recalculated \$2,359 charged to the storm work order MS17C006. The original amount charged to the storm work order was \$2,396 for a difference of \$37. The Company will agree to remove the \$37 from the final storm costs."* **AUDIT ISSUE #3**

Direct Labor (PSNH and other Companies) \$552,857

PSNH	\$	501,542
PSNH Transmission		35,639
PSNH Generation		4,513
NSTAR		34,982
WMECO		17,854
EESCO		7,665
CL&P		-
Capitalization		<u>(49,338)</u>
Storm-related Payroll	\$	<u>552,857</u>

PSNH initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. The total hours and pay from the provided spreadsheet matched the initial direct labor document that was submitted. Audit then selected eleven different job descriptions to review in detail.

Of the eleven job selections, Audit requested the timesheets and/or Weekly Operations Reports, detailing the work performed of sixteen employees each of the companies. No exceptions were noted.

Payroll-related Overheads \$45,870

The Company provided the itemized payroll-related overhead amount, totaling \$45,870 for the 3/2/17 storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 7/23/16 major storm event for detail on how the Company calculated the overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH Transmission		
Non-Productive Time Overhead	\$	5,952
Payroll Benefits		<u>13,338</u>
Total PSNH Transmission	\$	<u>19,290</u>
PSNH Generation		
Non-Productive Time Overhead	\$	<u>754</u>

Payroll Benefits	\$ 1,689
Total PSNH Generation	\$ 2,443
 NSTAR	
Non-Productive Time Overhead	\$ 6,912
Payroll Benefits	\$ 8,073
Total NSTAR	\$ 14,985
 WMECO	
Non-Productive Time Overhead	\$ 2,944
Payroll Benefits	\$ 6,208
Total WMECO	\$ 9,152
 Total Payroll-Related Overheads	\$ 45,870

Audit reviewed the Loader rates, as well as the payroll-related overhead calculation spreadsheet, and recalculated the non-productive time overhead and the payroll benefits for each company. No exceptions were noted.

Vehicles \$114,428

The total vehicle expense for the March 2nd storm event was \$114,428. The vehicle charges were for the following companies:

PSNH	\$ 96,399
PSNH Transmission	4,181
PSNH Generation	222
NSTAR	7,049
WMECO	5,554
EESCO	903
CL&P	119
Total Vehicles	\$ 114,428

The amounts charged to the companies for vehicle usage were recorded for the seven companies listed above. Audit reviewed the provided Excel worksheets, detailing the labor and vehicle allocation percentage based on cost center and company, and recalculated the vehicle costs for the seven companies, based on the cost for each fleet recorded and the dollars of productive labor issued. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

Audit noted that a vehicle amount for \$119 was recorded as used by CL&P on attachment MEL-5 of the filing. Upon review of the Company's supporting spreadsheets for the \$119, Audit noted that there was no amount for CL&P to calculate and asked the Company to explain. In response, the Company provided a spreadsheet, detailing a description of the charge, and stated that, "[The] \$119.47 was inadvertently placed in the schedules under CL&P Vehicles instead of CL&P Stores Loader (in Materials). The schedules for CL&P Vehicles for this storm should be \$0 and the \$119.47 should be in Line 26 in the Materials sheet under CL&P Stores Loader (currently \$0)." Audit reviewed the Materials charge for CL&P, as well as the Company provided supporting spreadsheet, and confirmed that the \$119 erroneous charge to CL&P vehicles was not duplicated as a Materials charge for the CL&P Stores Loader.

Other Employee-related Expenses \$8,242

The total Employee-Related Expenses for the March 2nd storm event were \$8,242. The following represents the amounts charged to each company:

PSNH	\$ 6,833
PSNH Transmission	566
PSNH Generation	100
NSTAR	373
WMECO	140
EESCO	230
Total Other Employee-Related Expenses	<u>\$ 8,242</u>

The Company provided a spreadsheet showing the amount of employee-related expenses by expense description which was sorted by company, as well as copies of the expense report and receipts. Audit selected three items for review, from the meals, mileage, and miscellaneous expense categories within the PSNH and PSNH Distribution companies, and with a purchase price over \$25. The Company's policy does not require an employee submit a receipt if the purchase is under \$25.

Materials \$9,434

The Company provided a listing of materials, totaling \$9,434 and including their quantities and cost, that was charged to the storm cost reserve. Audit selected one material expense, for twelve 40 ft. poles, totaling a charge of \$4,044. Audit requested documentation depicting the date that the items were removed from inventory. The Company provided a spreadsheet listing the materials, the corresponding area work center (AWC) locations of the sampled items, and the date that they were removed from inventory. Audit reviewed the spreadsheet and noted no exceptions.

03/14/2017 Pre-staging Event EXPSTGC7 \$655,453

The weather forecast for March 14th described a “high” probability (i.e. greater than 60%) of reaching EEI Level 4, as determined by snow accumulation that is greater than 12 inches, in the North Country, Lakes Region, Central South, Seacoast South, and Western parts of the state. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-6 which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 566,380
Direct Labor (WMECO and other NU Companies)	12,586
Payroll Related Overheads and Taxes	3,557
Vehicles	9,930
Other Employee Related Expenses	<u>1,030</u>
Total Storm Cost Transferred to Reserve	<u>\$ 593,484</u>
Carrying Charge through February 28, 2019	<u>61,969</u>
Actual Storm Reserve Balance February 28, 2019	<u>\$ 655,453</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$566,380

A total of 143 contractor and vendor invoices, plus the procurement card expenses, resulted in a total of \$566,380 in charges from the March 14th Pre-stage event and are depicted in the following:

Summary of Expenditures by Description:

Contractor	\$ 562,907
Vegetation	1,404
Mutual Aid	-
Procurement Card	1,690
Environmental	-
Traffic Control / Police Services	379
Food and Lodging	-
Material	-
Other	<u>-</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 566,380</u>

Contractor

A total of \$562,907 in Contractor expenses was recorded on the storm reserve account. Audit selected three invoices, totaling \$103,396, to review in detail. Of the invoices reviewed were equipment rentals, line crews, and vehicles. No exceptions were noted.

Procurement Card

The total Procurement Card expenses totaled \$1,690 and consisted only of Food and Lodging charges. The following is the Procurement Card Summary of expenditures by description:

Food and Lodging	\$	1,690
Contractor		-
Material		-
Miscellaneous		-
Total Procurement Cards	\$	<u>1,690</u>

Audit requested the supporting documentation and/or receipts for one invoice, totaling \$1,144 or 68% of the total Procurement Card charges. The Company provided the requested receipts and invoices and Audit noted two amounts totaling \$1,144 for catering services on March 14th. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$12,586

PSNH	\$	6,015
PSNH Transmission		6,572
EESCO		-
Storm-related Payroll	\$	<u>12,586</u>

PSNH initially provided an itemization of direct labor that listed each job class by company, along with the total hours worked and corresponding pay amount. Audit selected one job description, covering both of the companies, and received an Excel spreadsheet that broke down the hours and pay by employee.

Audit then requested the time sheets and/or Weekly Operations Report for two employee selections that were taken from the Excel spreadsheets provided from companies PSNH and PSNH Transmission. Time sheets were then requested and provided for the employee selections made by Audit. No exceptions were noted.

Payroll-related Overheads and Taxes \$3,557

The Company provided the itemized payroll-related overhead amount, totaling \$3,557 for the 3/14/17 storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 7/23/16 major storm event for detail on how the Company calculated the overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$	1,097
Payroll Benefits		<u>2,459</u>
Total PSNH Transmission	\$	<u>3,557</u>
Total Payroll-Related Overheads	\$	<u><u>3,557</u></u>

Audit reviewed the Loader rates, as well as the payroll-related overhead calculation spreadsheet, and recalculated the non-productive time overhead and the payroll benefits for each company. No exceptions were noted.

Vehicles \$9,930

The total vehicle expense for the March 14th Pre-stage event was \$9,930. The vehicle charges were identified by company in the following depiction:

PSNH	\$	9,257
PSNH Transmission		<u>673</u>
Total Vehicles	\$	<u><u>9,930</u></u>

The amounts charged to the companies for vehicle usage were recorded for PSNH and PSNH Transmission. Audit reviewed the provided Excel worksheet and recalculated the vehicle costs for the two companies, based on the cost for each fleet recorded and the dollars of productive labor issued. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-related Expenses \$1,030

The total Employee-related Expenses for the March 14th Pre-stage event were \$1,030. The following represents the expenses by company:

PSNH	\$	247
PSNH Transmission		15
EESCO		<u>768</u>
	\$	<u>1,030</u>

PSNH provided a spreadsheet showing the amount of employee-related expenses by expense description and sorted by company. Audit selected one item, totaling \$768 in meals, and reviewed the accompanying work order and receipt for the charge, which was dated 3/14/17.

03/15/17 Storm Event MS17E006 \$2,869,880

On March 15, 2017, heavy snow and high wind gusts occurred throughout the central, eastern, northern, southern, and western portions of New Hampshire. Ultimately, this event left 19,465 PSNH customers without power at peak and a total of 38,319 PSNH customers reporting outages at least once. The storm lasted approximately 2.5 days with varying snowfall throughout the state recorded as between 12-24 inches. As such, this weather event qualified for the recovery of “major storm” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-7 which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	1,714,758
Direct Labor (WMECO and other NU Companies)		676,459
Payroll Related Overheads and Taxes		55,381
Vehicles		133,711
Other Employee Related Expenses		11,968
Material		<u>17,906</u>
Total Storm Cost Transferred to Reserve	\$	<u>2,610,183</u>
Carrying Charge through February 28, 2019		<u>259,696</u>
Actual Storm Reserve Balance December 31, 2017	\$	<u>2,869,880</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$1,714,758

There were a total of 268 contractor and vendor invoices, plus procurement card expenses totaling \$1,714,758. The following depicts a summary of the charges incurred, per expense category:

Contractor	\$ 1,305,322
Vegetation	321,757
Mutual Aid	-
Procurement Card	75,227
Environmental	-
Traffic Control / Police Services	8,419
Food and Lodging	3,884
Material	150
Other	<u>-</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 1,714,758</u>

Contractor

A total of \$1,305,322 in Contractor expenses was recorded on the storm reserve account. Audit selected five invoices, totaling \$224,090, to review in detail. Of the invoices reviewed, services provided were for equipment rentals, line crews, and vehicles. Audit reviewed copies of the invoices, along with the corresponding daily work order report with no exceptions noted.

Vegetation

A total of \$321,757 was charged to the storm cost reserve for Vegetation services provided during the March 15, 2017 storm event. Three invoices were reviewed by Audit, totaling \$64,161 or 20% of the total Vegetation invoices charged to the storm. The Vegetation services audited were provided by Asplundh and Northern Tree. Audit reviewed invoices, as well as the corresponding work orders and timesheets, from each of the vendors with no exceptions noted.

Procurement Card

The total Procurement Card expenses were for food and lodging, materials, and miscellaneous charges. The following is the Procurement Card Summary of Expenditures by description:

Food and Lodging	\$	73,706
Material		1,154
Miscellaneous		<u>367</u>
Total Procurement Cards	\$	<u>75,227</u>

The Procurement Card amounts expensed to the storm reserve totaled \$75,227. Audit selected eleven invoices to review, totaling \$37,103, or 49% of the total Procurement Card charges. Supporting documentation for these invoices was provided and Audit noted three exceptions.

Hobbs Tavern & Brewing: Two credit card receipts, one for \$1,000 and the other for \$1,275, were provided by the Company as backup documentation for the total \$2,275 charged to the storm cost reserve. Itemization of what comprised this total charge was not provided and only the total amount paid was detailed on the two credit card receipts. **AUDIT ISSUE #1**

Lake Opechee Inn: A charge of \$2,025 was charged to the storm cost reserve account. Audit requested the accompanying receipts for review. The Company was not able to provide the requested supporting documentation. **AUDIT ISSUE #1**

Pease Golf: A charge of \$81 was incurred on the storm cost reserve account. Audit requested the supporting documentation for the charge. In response, the Company provided a "Missing Receipt Statement", indicating the acknowledgment of missing receipts to support the \$81 charge. **AUDIT ISSUE #1**

Food and Lodging

A total of \$3,884 from invoice amounts was recorded to the storm cost reserve. Audit selected two invoices, totaling \$1,701 in meals and lodging charges, to review in detail. No exceptions were noted.

Direct Labor (PSNH and other Companies) \$676,459

PSNH	\$	580,318
PSNH Transmission		60,900
CL&P Transmission		19,348

PSNH Generation	3,151
CL&P	8,699
NSTAR	888
WMECO	3,446
EESCO	13,655
Capitalization	<u>(13,946)</u>
Storm-related Payroll	<u>\$ 676,459</u>

The Company provided an itemization of direct labor that listed each job class for PSNH, along with the total hours worked and corresponding pay amount. Audit selected a total of eight job descriptions from PSNH, CL&P, CL&P Transmission, NSTAR, WMECO, and EESCO and received an Excel spreadsheet that itemized the hours and pay rate by employee.

Audit then requested the individual timesheets and/or other payroll supporting detail to review the employee hours and amounts for thirteen PSNH selections, totaling \$22,944. Eversource provided the accompanying employee timesheets and payroll analysis spreadsheet for each employee. Audit reviewed each time sheet and recalculated the totals with no exceptions noted.

Payroll-related Overheads and Taxes \$55,381

The Company provided the itemized payroll-related overhead amount, totaling \$55,381 for the 3/15/17 storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 7/23/16 major storm event for detail on how the Company calculated the overhead charges. The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$ 10,170
Payroll Benefits	<u>22,792</u>
Total PSNH Transmission	<u>\$ 32,963</u>

CL&P Transmission

Non-Productive Time Overhead	\$ 3,581
Payroll Benefits	<u>9,227</u>
Total CL&P Transmission	<u>\$ 12,808</u>

PSNH Generation

Non-Productive Time Overhead	\$ 526
Payroll Benefits	<u>1,179</u>
Total PSNH Generation	<u>\$ 1,705</u>

CL&P	
Non-Productive Time Overhead	\$ 1,610
Payroll Benefits	<u>4,148</u>
Total CL&P	<u>\$ 5,758</u>
NSTAR	
Non-Productive Time Overhead	\$ 175
Payroll Benefits	<u>205</u>
Total NSTAR	<u>\$ 380</u>
WMECO	
Non-Productive Time Overhead	\$ 568
Payroll Benefits	<u>1,198</u>
Total WMECO	<u>\$ 1,767</u>
Total Payroll-Related Overheads	<u><u>\$ 55,381</u></u>

Audit reviewed the Loader rates, as well as the payroll-related overhead calculation spreadsheet, and recalculated the non-productive time overhead and the payroll benefits for each company. No exceptions were noted.

Vehicles \$133,711

The total vehicle expense for the March 15, 2017 pre-stage event was \$133,711. The Company's vehicle charges were identified as follows:

PSNH	\$ 113,639
PSNH Transmission	6,804
CL&P Transmission	9,594
PSNH Generation	155
CL&P	1,690
NSTAR	127
WMECO	670
EESCO	<u>1,032</u>
	<u><u>\$ 133,711</u></u>

The amounts charged to the companies for vehicle usage were recorded for the eight companies listed above. Audit reviewed the provided Excel worksheet and recalculated the vehicle costs for the eight companies, based on the cost for each fleet recorded and the dollars of productive labor issued. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-related Expenses \$11,968

Eversource provided a spreadsheet showing the amount of employee-related expenses, categorized by expense description and sorted by company. The total Employee-Related Expenses for the March 15th pre-stage event totaled \$11,968 and are depicted in the following:

PSNH	\$	8,680
PSNH Transmission		1,915
CL&P Transmission		502
PSNH Generation		84
CL&P		159
EESCO		<u>629</u>
Total	\$	<u>11,968</u>

Audit selected three amounts, totaling \$7,228, to review in detail. The charges were for meals, miscellaneous, and transportation. Audit reviewed the corresponding meals receipts and expense reports with no exceptions noted.

Material \$17,906

The Company provided a listing of materials, totaling \$17,906 and including the items' quantities and cost, that was charged to the storm cost reserve. Audit selected four material expenses totaling \$4,658. Audit requested documentation depicting the dates that the items were removed from inventory. The Company provided a spreadsheet listing the materials, the corresponding area work center (AWC) locations of the sampled items, and the date that they were removed from inventory. Audit reviewed the spreadsheet and noted no exceptions.

03/31/2017 Pre-staging Event EXPSTGD7 \$381,449

The weather forecast for March 31st described a "high" probability (i.e. greater than 60%) of reaching EEI Level 3, as determined by snow fall that is equal to or greater than eight inches, in the Central, Eastern, Southern, and Western parts of the state. This weather event qualified for the recovery of "pre-staging" costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-8 which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$	269,131
Direct Labor (WMECO and other NU Companies)		57,641

Payroll Related Overheads and Taxes	3,873
Vehicles	13,407
Other Employee Related Expenses	<u>2,872</u>
Total Storm Cost Transferred to Reserve	<u>\$ 346,924</u>
Carrying Charge through February 28, 2019	<u>\$ 34,525</u>
Actual Storm Reserve Balance February 28, 2019	<u>\$ 381,449</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$269,131

There were 83 contractor and vendor invoices, plus the procurement card expenses totaling \$269,131 that was charged to the storm cost reserve account.

Summary of Expenditures by Description:

Contractor	\$ 210,846
Vegetation	47,728
Mutual Aid	-
Procurement Card	2,569
Environmental	-
Traffic Control / Police Services	444
Food and Lodging	-
Material	-
Other	<u>7,544</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 269,131</u>

Contractor

A total of \$210,846 in Contractor charges was recorded to the storm reserve account. Audit selected 8 of the 71 invoices, totaling \$56,919 or 27% of the total Contractor charges, to review in detail. Of the invoices reviewed, charges were for labor, equipment, and vehicles. Audit verified the dates of the invoices, the hours recorded as worked by the line crews, and the pay rates. No exceptions were noted.

Vegetation

There were \$47,728 was charged to the storm fund for Vegetation maintenance during the storm. Audit selected and reviewed three invoices totaling, \$5,087, from Asplundh for tree removal services. No exceptions were noted.

Procurement Card

The Procurement Card expenditures for the March 31st Pre-stage event consisted of twelve Food and Lodging receipts totaling \$2,569. Audit selected three charges, totaling \$1,271 or 50% of the Procurement Card expenses, to review in detail. One exception was noted.

North Country Family: A \$64 charge was made to the storm cost reserve account for Food and Lodging services. Audit requested the receipt/s that accompanied this charge; however, the Company did not provide the receipt/s. **AUDIT ISSUE #1**

Direct Labor \$57,641

PSNH	\$	50,074
PSNH Transmission		7,155
EESCO		<u>412</u>
Storm-related Payroll	\$	<u><u>57,641</u></u>

The Company provided an itemization of direct labor that listed each job class for PSNH, PSNH Transmission, and EESCO, along with the total hours worked and corresponding pay amount. Audit selected a total of two job descriptions, one from PSNH and one from PSNH Transmission, and requested the accompanying time sheet information. The Company provided the employee timesheets, as well as a payroll analysis spreadsheet for both employees, and Audit recalculated the totals with no exceptions noted.

Payroll-related Overheads \$3,873

The Company provided the itemized payroll-related overhead amount, totaling \$3,873 for the 3/31/17 storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 7/23/16 major storm event for detail on how the Company calculated the overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$	1,195
Payroll Benefits		<u>2,678</u>
Total PSNH Transmission	\$	<u>3,873</u>
Total Payroll-Related Overheads	\$	<u>3,873</u>

Audit reviewed the Loader rates, as well as the payroll-related overhead calculation spreadsheet, and recalculated the non-productive time overhead and the payroll benefits for each company. No exceptions were noted.

Vehicles \$13,407

The vehicle expense for the March 31st pre-stage event totaled \$13,407. The Company's vehicle charges were identified as follows:

PSNH	\$	12,643
PSNH Transmission		740
EESCO		<u>23</u>
	\$	<u>13,407</u>

The amounts charged to the companies for vehicle usage were recorded for PSNH, PSNH Transmission, and EESCO. Audit reviewed the provided Excel worksheet and recalculated the vehicle costs for the three companies, based on the cost for each fleet recorded and the dollars of productive labor issued. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-related Expenses \$2,872

Eversource provided a spreadsheet showing the amount of employee-related expenses, categorized by expense description and sorted by company. The total Employee-Related Expenses for the March 31st pre-stage event totaled \$2,872 and are depicted in the following:

PSNH	\$	1,973
PSNH Transmission		710
EESCO		<u>188</u>

Total \$ 2,872

Audit selected three amounts, totaling \$726, to review in detail. The charges were for miscellaneous and transportation and Audit reviewed the corresponding receipts and expense reports with no exceptions noted.

10/29/2017 Storm Event MS17N006 \$34,343,178

On October 29, 2017, heavy rain and high wind gusts occurred throughout the central, eastern, northern, and southern portions of New Hampshire. This event ultimately left 316,367 PSNH customers, or 62% of the total 510,000 PSNH New Hampshire customers, without power at peak. As such, this weather event qualified for the recovery of “major storm” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-9 which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 26,285,010
Direct Labor (WMECO and other NU Companies)	4,521,811
Payroll Related Overheads and Taxes	364,651
Vehicles	485,591
Other Employee Related Expenses	72,776
Material (including Stores Loading and Lobby Stock)	<u>413,676</u>
Total Storm Cost Transferred to Reserve	<u>\$ 32,143,515</u>
Carrying Charge through February 28, 2019	<u>2,199,663</u>
Actual Storm Reserve Balance February 28, 2019	<u>\$ 34,343,178</u>

External Contractors/Vendors, Mutual Aid and Procurement Cards \$26,285,010

There were 813 contractor and vendor invoices, plus the procurement card expenses, totaling \$26,285,010 that was charged to the storm cost reserve account.

Summary of Expenditures by Description:

Contractor	\$ 21,880,004
Vegetation	2,743,582
Mutual Aid	-
Procurement Card	1,182,267
Environmental	-
Traffic Control / Police Services	122,050

Food and Lodging	304,116
Material	113
Other	<u>52,879</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 26,285,010</u>

Contractor

A total of \$21,880,004 in Contractor charges was recorded on the storm reserve account. Audit selected four invoices, totaling \$847,835, to review in detail. Of the invoices examined, charges were for labor, equipment, and vehicles. Audit reviewed the dates of the invoices and the hours recorded as worked by the crews with no exceptions were noted.

Vegetation

There was a total of \$2,743,582 in charges to the storm reserve account for Vegetation maintenance during the 10/29/17 storm event. Audit selected and reviewed six invoices totaling, \$182,060 for tree removal. No exceptions were noted.

Procurement Card

The Procurement Card expenditures for the October 29th Storm event consisted of 1,010 Food and Lodging, materials, and miscellaneous receipts totaling \$1,182,267. Audit selected forty-eight charges, totaling \$187,502 or 16% of the Procurement Card expenses, to review in detail. Audit noted five exceptions.

Bear Rock: There was a \$283 charge made to the storm cost reserve account for Food and Lodging services. Audit requested the receipt/s that accompanied this charge; however, the Company did not provide the receipt/s. **AUDIT ISSUE #1**

Bed, Bath & Beyond: Audit requested the documentation to support the charge of \$161 to the storm cost reserve account. The Company did not provide the requested documentation to Audit for review. **AUDIT ISSUE #1**

Buck Rub Pub and Lodge: A \$2,623 charge was made to the storm cost reserve account for Food and Lodging services. Audit requested the receipt/s that accompanied this charge; however, the Company did not provide the receipt/s. **AUDIT ISSUE #1**

Marriott Wentworth: Audit requested the documentation to support the charge of \$4,115 to the storm cost reserve account for Food and Lodging services. The Company did not provide the requested documentation to Audit for review. **AUDIT ISSUE #1**

The Shanty: Audit requested the documentation to support the charge of \$854 to the storm cost reserve account. The Company provided a credit card payment receipt for the amount but an itemized receipt, detailing what comprised the total charge, was not given to Audit for review. **AUDIT ISSUE #1**

Food and Lodging

A total of \$304,116 in Food and Lodging charges was recorded to the storm cost reserve account. Audit selected an invoice, totaling \$208,095, to review in detail. Charges were for breakfast and lunch meals provided to the storm crew. No exceptions were noted.

Direct Labor \$4,521,811

PSNH	\$	3,742,841
CL&P		14,104
NSTAR		282,697
NSTAR Gas		29,445
WMECO		77,610
Yankee Gas		943
PSNH Generation		50,543
PSNH Transmission		369,444
EESCO		277,189
Capitalization		<u>(323,005)</u>
Storm-related payroll	\$	<u>4,521,811</u>

The Company provided an itemization of direct labor that listed each job class for PSNH, CL&P, NSTAR, NSTAR Gas, WMECO, Yankee Gas, PSNH Generation, PSNH Transmission, and EESCO, along with the total hours worked and corresponding pay amount. Audit selected a total of seventeen job descriptions from all of the companies, excluding PSNH Transmission, and requested the accompanying time sheet information. The Company provided the employee timesheets, as well as a payroll analysis spreadsheet for the selected employees. Audit reviewed the timesheets, payroll analysis spreadsheet, and recalculated the totals with no exceptions noted.

Payroll-related Overheads \$364,651

The Company provided the itemized payroll-related overhead amount, totaling \$364,651 for the 10/29/17 storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 7/23/16 major storm event for detail on how the Company calculated the overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

CL&P	
Non-Productive Time Overhead	\$ 2,058
Payroll Benefits	<u>6,503</u>
Total CL&P	<u>\$ 8,561</u>
NSTAR	
Non-Productive Time Overhead	\$ 49,730
Payroll Benefits	<u>64,218</u>
Total NSTAR	<u>\$ 113,949</u>
NSTAR Gas	
Non-Productive Time Overhead	\$ 5,412
Payroll Benefits	<u>9,687</u>
Total NSAR Gas	<u>\$ 15,099</u>
WMECO	
Non-Productive Time Overhead	\$ 12,715
Payroll Benefits	<u>26,813</u>
Total WMECO	<u>\$ 39,528</u>
Yankee	
Non-Productive Time Overhead	\$ 168
Payroll Benefits	<u>491</u>
Total Yankee	<u>\$ 659</u>
PSNH Generation	
Non-Productive Time Overhead	\$ 7,455
Payroll Benefits	<u>18,600</u>
Total PSNH Generation	<u>\$ 26,055</u>
PSNH Transmission	
Non-Productive Time Overhead	\$ 46,010
Payroll Benefits	<u>114,791</u>
Total PSNH Generation	<u>\$ 160,800</u>
Total Payroll-Related Overheads	<u><u>\$ 364,651</u></u>

Audit reviewed the Loader rates, as well as the payroll-related overhead calculation spreadsheet, and recalculated the non-productive time overhead and the payroll benefits for each company. No exceptions were noted.

Vehicles \$485,591

The vehicle expense for the October 29th pre-stage event totaled \$485,591. The Company's vehicle charges were identified as follows:

PSNH	\$	280,050
NSTAR Gas		6,120
NSTAR		68,130
Yankee Gas		196
CL&P		-
WMECO		8,692
PSNH Generation		2,219
PSNH Transmission		28,687
EESCO		-
Capital Adjustment		<u>91,497</u>
	\$	<u>485,591</u>

The vehicle expense for the October 29th storm event totaled \$485,591. PSNH, NSTAR Gas, NSTAR, Yankee Gas, WMECO, PSNH Generation, and PSNH Transmission were the companies providing vehicles throughout this storm event. A total of seventeen departments were used to assign vehicles for the allocation process. Audit reviewed the vehicle usage spreadsheets and recalculated the vehicle cost for each of the seven companies, based on the cost for each fleet recorded and the dollars of productive labor issued. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

A capital adjustment of \$91,497 was listed in the total amount for vehicle expenses reported in the filing. Audit noted that the vehicle usage spreadsheet included a column showing the variance between the total vehicles amount in the filing of and the manual calculation amount. The Company explained that the manual calculation depicts the system allocation calculation for the Vehicle Allocation Program. Audit requested further explanation of the vehicle allocation process and the Company stated that, *"The manual calculation gets you close [to the actual allocation] and proves out the process behind the system allocation calculation, but there is a slight variance because there are some true-ups for previous months that happen as part of the system process."*

Audit requested the support for the manual calculation, demonstrating the details and process behind the \$91,497 variance. The Company provided spreadsheets depicting the vehicle calculation by month, cost center cluster, and cost center labor. Refer to the vehicle section of the 7/23/16 storm for further detail on the vehicle allocation process. Audit reviewed the Excel spreadsheets supporting the manual calculation with no exceptions noted.

Other Employee-related Expenses \$72,776

Eversource provided a spreadsheet showing the amount of employee-related expenses, categorized by expense description and sorted by company. The total Employee-Related Expenses for the October 29th storm event totaled \$2,872 and are depicted in the following:

PSNH	\$	45,073
CL&P		84
NSTAR		3,859
NSTAR Gas		1,009
WMECO		3,452
PSNH Transmission		9,849
EESCO		9,449
	\$	<u>72,776</u>

Audit selected five amounts, totaling \$34,749, to review in detail. The charges were for miscellaneous, meals, and mileage charges accrued for the storm event. Audit reviewed the corresponding receipts and expense reports with no exceptions noted.

Materials \$413,676

The Company provided a listing of materials, totaling \$413,676 and including the items' quantities and cost, that was charged to the storm cost reserve. Audit selected four material expenses totaling \$86,072 and requested documentation depicting the dates that the items were removed from inventory. The Company provided a spreadsheet listing the materials, the corresponding area work center (AWC) locations of the sampled items, and the date that they were removed from inventory. Audit reviewed the spreadsheet and noted no exceptions.

12/23/2017 Major Storm Event MS17Q006 \$2,209,805

On December 23, 2017, heavy snow and ice accumulated throughout all of New Hampshire. This event ultimately left 18,780 PSNH customers without power at peak and an additional 49,977 PSNH customers reported an outage at least once during the storm. As such,

this weather event qualified for the recovery of “major storm” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-10 which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 1,325,363
Direct Labor (WMECO and other NU Companies)	570,372
Payroll Related Overheads and Taxes	20,003
Vehicles	107,435
Material	702
Other Employee Related Expenses	<u>59,622</u>
Total Storm Cost Transferred to Reserve	<u>\$ 2,083,497</u>
Carrying Charge through February 28, 2019	<u>\$ 126,309</u>
Actual Storm Reserve Balance February 28, 2019	<u>\$ 2,209,805</u>

There were 237 contractor and vendor invoices, plus the procurement card expenses, all totaling \$2,209,805 that was charged to the storm cost reserve account.

Summary of Expenditures by Description:

Contractor	\$ 981,489
Vegetation	268,841
Mutual Aid	-
Procurement Card	67,723
Environmental	-
Traffic Control / Police Services	4,900
Food and Lodging	2,410
Material	-
Other	<u>-</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 1,325,363</u>

Contractor

The Contractor expense for the December 23rd storm event totaled \$981,489. Audit selected two invoices with a total amount of \$235,465 for further review. Charges were for labor, equipment, and vehicles. Audit reviewed the invoices and no exceptions were noted.

Vegetation

A total of \$268,841 was charged to the storm fund for Vegetation maintenance during the storm. Audit selected and reviewed four invoices totaling, \$16,417 for tree removal and storm cleanup from vendors Asplundh and Lewis Tree. No exceptions were noted.

Procurement Card

The Procurement Card expenditures for the December 23rd Major Storm consisted of expenses categorized as Food and Lodging, Material, and Miscellaneous charges. The following is the Procurement Card Summary of Expenditures by Description:

Food and Lodging	\$	67,490
Contractor		-
Material		64
Miscellaneous		169
Total Procurement Cards	\$	<u>67,723</u>

Audit selected seven invoices to review in detail, totaling \$29,268. Invoices reviewed were for meals and lodging provided during the December 23rd storm event. No exceptions were noted.

Direct Labor \$570,372

PSNH	\$	531,938
PSNH Transmission		38,730
EESCO		10,395
Capitalization		<u>(10,690)</u>
Storm-related payroll	\$	<u>570,372</u>

The Company provided an itemization of direct labor that listed each job class for PSNH, PSNH Transmission, and EESCO, along with the total hours worked and corresponding pay amount. Audit selected a total of five job descriptions from all of the three companies and requested the accompanying time sheet information. The Company provided the employee timesheets, as well as a payroll analysis spreadsheet for the selected employees. Audit reviewed the timesheets, payroll analysis spreadsheet, and recalculated the totals with no exceptions noted.

Payroll-related Overheads and Taxes \$20,003

The Company provided the itemized payroll-related overhead amount, totaling \$20,003 for the 12/23/17 storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 7/23/16 major storm event for detail on how the Company calculated the overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$	5,693
Payroll Benefits		<u>14,310</u>
Total PSNH Generation	\$	<u>20,003</u>
 Total Payroll-Related Overheads	 \$	 <u>20,003</u>

Audit reviewed the Loader rates, as well as the payroll-related overhead calculation spreadsheet, and recalculated the non-productive time overhead and the payroll benefits for each company. No exceptions were noted.

Vehicles \$107,435

The vehicle expense for the December 23rd pre-stage event totaled \$107,435. The Company's vehicle charges were identified as follows:

PSNH	\$	103,018
PSNH Transmission		4,246
EESCO		<u>172</u>
Total Vehicles	\$	<u>107,435</u>

The vehicle expense for the December 23rd storm event totaled \$107,435. PSNH, PSNH Transmission, and EESCO were the companies providing vehicles throughout this event. A total of twelve departments were used to assign vehicles for the allocation process. Audit reviewed the provided Excel spreadsheets and recalculated the vehicle cost for each of the three companies, based on the cost for each fleet recorded and the dollars of productive labor issued. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-Related Expenses \$59,622

Eversource provided a spreadsheet showing the amount of employee-related expenses, categorized by expense description and sorted by company. The total Employee-Related Expenses for the December 23rd storm event totaled \$59,622 and are depicted in the following:

PSNH	\$	45,338
PSNH Transmission		1,407
EESCO		<u>12,877</u>
	\$	<u>59,622</u>

Audit selected two amounts, totaling \$41,292, to review in detail. The charges were for communication and transportation usage accrued for the storm event. Documentation was requested for these charges and reviewed by Audit with no exceptions noted.

Materials \$702

The Company provided the description of materials, including the item quantities and cost, that was charged to the storm cost reserve. There was only one type of material used for fuse power, with a quantity of six and totaling \$702 in materials charges. Audit requested documentation depicting the dates that the items were removed from inventory. The Company provided a spreadsheet listing the materials, the corresponding area work center (AWC) locations of the sampled items, and the date that they were removed from inventory. Audit reviewed the spreadsheet and noted no exceptions.

12/25/2017 Pre-stage Event EXPSTGF7 \$328,744

The weather forecast for December 25th described a “high” probability (i.e. greater than 60%) of reaching EEI Level 2, as determined by snow fall that is equal to or greater than six inches, in the Central, Eastern, Southern, and Western parts of the state. Additionally, the forecast for December 25th also indicated a “high” probability of reaching EEI Level 3, as determined by snow fall that is equal to or greater than eight inches, in the Northern part of the state. This weather event qualified for the recovery of “pre-staging” costs, as defined in Order 25,465 issued on 2/26/2013 in docket DE 12-320.

Audit was provided with Attachment MEL-11 which summarized the costs as follows:

External Contractors/Vendors, Mutual Aid, Procurement Cards	\$ 91,641
Direct Labor (WMECO and other NU Companies)	197,091
Payroll Related Overheads and Taxes	3,914
Vehicles	16,557
Other Employee Related Expenses	<u>575</u>
Total Storm Cost Transferred to Reserve	<u>\$ 309,778</u>
Carrying Charge through February 28, 2019	<u>18,966</u>
Actual Storm Reserve Balance February 28, 2019	<u>\$ 328,744</u>

There were 39 contractor and vendor invoices, plus the procurement card expenses, all totaling \$91,641 that was charged to the storm cost reserve account.

Summary of Expenditures by Description:

Contractor	\$ 52,979
Vegetation	25,757
Mutual Aid	-
Procurement Card	12,905
Environmental	-
Traffic Control / Police Services	-
Food and Lodging	-
Material	-
Other	<u>-</u>
Total External Contractors / Vendors, Mutual Aid, and Procurement Cards	<u>\$ 91,641</u>

Contractor

The total in Contractor charges for the December 25th pre-stage event came to \$52,979. Audited selected three invoices, totaling \$15,220 or 29% of the total Contractor charges, to review in detail. Of the invoices examined, charges were for labor, equipment, and vehicles. Audit reviewed the invoices with no exceptions noted.

Vegetation

A total of \$25,757 was charged to the storm fund for Vegetation maintenance during the storm. Audit selected and reviewed three invoices from the vendor Asplundh and totaling \$5,704 for tree removal for the storm in Keene. No exceptions were noted.

Procurement Card

The Procurement Card expenditures for the December 25th Pre-stage event consisted of expenses categorized as Food and Lodging, and Miscellaneous charges. The following is the Procurement Card Summary of Expenditures by Description:

Food and Lodging	\$	12,886
Contractor		-
Material		-
Miscellaneous		<u>20</u>
Total Procurement Cards	\$	<u>12,905</u>

Audit selected twenty invoices to review in detail, totaling \$12,862. Invoices reviewed were for meals and lodging provided during the December 25th Pre-stage event. Two exceptions were noted.

Dynasty Buffet: An \$83 charge was made to the storm cost reserve account for Food and Lodging services. Audit requested the receipt/s that accompanied this charge; however, the Company did not provide the receipt/s. **AUDIT ISSUE #1**

Plaza Dragon: Audit requested the documentation to support the charge of \$543 to the storm cost reserve account. The Company provided an illegible credit card payment receipt for the amount. An itemized receipt, detailing what comprised the total charge, was not given to Audit for review. **AUDIT ISSUE #1**

Direct Labor \$197,091

PSNH	\$	149,588
PSNH Transmission		25,585
EESCO		<u>21,917</u>
Storm-related payroll	\$	<u>197,091</u>

The Company provided an itemization of direct labor that listed each job class for PSNH, PSNH Transmission, and EESCO, along with the total hours worked and corresponding pay amount. Audit selected a total of seven job descriptions from all of the three companies and requested the accompanying time sheet information. The Company provided the employee timesheets, as well as a payroll analysis spreadsheet for the selected employees. Audit reviewed the timesheets, payroll analysis spreadsheet, and recalculated the totals with no exceptions noted.

Payroll-related Overheads and Taxes \$3,914

The Company provided the itemized payroll-related overhead amount, totaling \$3,914 for the 12/25/17 storm event, that was charged to the storm cost reserve and reported in the filing. The charges were subtotaled by company, representing the sum of the non-productive time overhead and the payroll benefits. Refer to the Payroll-Related Overhead section for the 7/23/16 major storm event for detail on how the Company calculated the overhead charges.

The following is derived from the non-productive time overhead and payroll benefits calculations that were submitted by the Company:

PSNH Transmission

Non-Productive Time Overhead	\$	1,117
Payroll Benefits		<u>2,796</u>
Total PSNH Generation	\$	<u>3,914</u>
 Total Payroll-Related Overheads	 \$	 <u><u>3,914</u></u>

Audit reviewed the Loader rates, as well as the payroll-related overhead calculation spreadsheet, and recalculated the non-productive time overhead and the payroll benefits for each company. No exceptions were noted.

Vehicles \$16,557

PSNH	\$	15,696
PSNH Transmission		861
EESCO		<u>-</u>
Total Vehicles	\$	<u><u>16,557</u></u>

The amounts charged to the companies for vehicle usage were recorded for PSNH and PSNH Transmission. Audit reviewed the provided Excel worksheet and recalculated the vehicle costs for the two companies, based on the cost for each fleet recorded and the dollars of productive labor issued. Refer to the 7/23/16 storm section for further details on the calculation of the vehicle usage amounts.

Other Employee-related Expenses \$575

Eversource provided a spreadsheet showing the amount of employee-related expenses, categorized by expense description and sorted by company. The total Employee-Related Expenses for the December 25th pre-stage storm event totaled \$575 and are depicted in the following:

PSNH	\$	491
PSNH Transmission		77
EESCO		<u>7</u>
	\$	<u><u>575</u></u>

Audit selected two amounts totaling \$308 to review in detail. The amounts were for mileage, transmission, and meals charges accrued for the pre-stage storm event. Documentation was requested for these charges and reviewed by Audit with no exceptions noted.

AUDIT SUMMARY

For the period of July 1, 2016 through December 31, 2017, a total of \$49,248,106 in storm costs and carrying charges were deferred to the Major Storm Cost Reserve General Ledger account #186430.

As of December 31, 2017, the Storm Funding Deferral account #228430 had a balance of \$79,641,902. The funding, which is posted to account #228430, accrues carrying charges at the same stipulated rate of return used on the accruing storm cost account. Audit recommends removing the following costs from the storm reserve:

Audit Issue #1	\$ 46,614
Audit Issue #2	2,169
Audit Issue #3	310
Audit Issue #4	<u>19,552</u>
Total Costs Recommended for Removal	<u>\$ 68,645</u>

	Reported Balance 2/28/19	Less: Audit Adjustments	Adjusted Storm Balance
7/23/16 Storm Costs	\$ 4,631,629	\$ (8,115)	\$ 4,623,514
12/29/16 Pre-Staging Costs	1,145,349	(2,417)	1,142,932
2/12/17 Pre-Staging Costs	177,884	(1,404)	176,480
2/16/17 Pre-Staging Costs	44,651	(8,698)	35,953
3/2/17 Storm Costs	2,460,084	(34,904)	2,425,180
3/14/17 Pre-Staging Costs	655,453	-	655,453
3/15/17 Storm Costs	2,869,880	(4,381)	2,865,499
3/31/17 Pre-Staging Costs	381,449	(64)	381,385
10/29/17 Storm	34,343,178	(8,036)	34,335,142
12/23/17 Storm	2,209,805	-	2,209,805
12/25/17 Pre-Staging Costs	328,744	(626)	328,118
Total Deferred MSCR Costs	<u>\$ 49,248,106</u>	<u>\$ (68,645)</u>	<u>\$ 49,179,461</u>

Audit notes that the actual balances as of 12/31/2017 include carrying charges. Once Audit's suggested adjustments are made, carrying charges will need to be recalculated.

Audit Issue #1 No Supporting Documentation

Background

Audit reviewed spreadsheets provided by the Company, detailing the expenditures for the storms, and requested the supporting documentation for sampled amounts.

Issue

Supporting documentation was not provided or did not support the amount included in the general ledger for the selections made by Audit.

Recommendation

Audit recommends removing the following charges from the storm reserve:

Best Buy	\$ 1,200	7/23/16 Storm
SIR Speedy Printing	156	7/23/16 Storm
Belmont Hall	617	7/23/16 Storm
Salt Hill Pub	5,442	7/23/16 Storm
Comensura, Inc.	675	12/29/16 Pre-Stage
Online Great NH Restaurant	205	2/12/17 Pre-Stage
Direct Labor	1,199	2/12/17 Pre-Stage
Fairfield Inn & Suites	108	2/16/17 Pre-Stage
Puritan Backroom	78	2/16/17 Pre-Stage
Best Western Executive	8,829	3/2/17 Storm
Holiday Inn Express	4,208	3/2/17 Storm
Longhorn Steak	3,869	3/2/17 Storm
TB Meats Sweets	2,065	3/2/17 Storm
The Yard Restaurant	4,856	3/2/17 Storm
Hobbs Tavern & Brewing	2,275	3/15/17 Storm
Lake Opechee Inn	2,025	3/15/17 Storm
Pease Golf	81	3/15/17 Storm
North Country Family	64	3/31/17 Pre-Stage
Bear Rock	283	10/29/17 Storm
Bed, Bath & Beyond	161	10/29/17 Storm
Buck Rub Pub and Lodge	2,623	10/29/17 Storm
Marriott Wentworth	4,115	10/29/17 Storm
The Shanty	854	10/29/17 Storm
Dynasty Buffet	83	12/25/17 Pre-Stage
Plaza Dragon	543	12/25/17 Pre-Stage
Total for Audit Issue #1	<u>\$ 46,614</u>	

Company Response

The Company agrees to remove the charges identified by Audit in this issue due to insufficient supporting detail. The Company continues to work to improve its documentation of storm

charges and believes that these charges were incurred to support the storm events but accepts and agrees to removing the following charges due to insufficient supporting documentation.

7/23/16 Storm (MS16J006):

Best Buy \$1,200

SIR Speedy Printing \$156

Belmont Hall \$617

Salt Hill Pub \$5,442

Total: \$7,415

12/29/16 Pre-Stage (EXPSTGB6):

Comensura, Inc. \$675

Total: \$675

2/12/17 Pre-Stage (EXPSTGA7):

Online Great NH Restaurant \$205

Direct Labor \$1,199

Total: \$1,404

2/16/17 Pre-Stage (EXPSTGB7):

Fairfield Inn & Suites \$108

Puritan Backroom \$78

Total: \$186

3/2/17 Storm (MS17C006):

Best Western Executive \$8,829

Holiday Inn Express \$4,208

Longhorn Steak \$3,869

TB Meats Sweets \$2,065

The Yard Restaurant \$4,856

Total: \$23,827

3/15/17 Storm (MS17E006):

Hobbs Tavern & Brewing \$2,275

Lake Opechee Inn \$2,025

Pease Golf \$81

Total: \$4,381

3/31/17 Pre-Stage (EXPSTGD7):

North Country Family \$64

Total: \$64

10/29/17 Storm (MS17N006):

Bear Rock \$283

Bed, Bath & Beyond \$161

Buck Rub Pub and Lodge \$2,623

Marriott Wentworth \$4,115

The Shanty \$854

Total: \$8,036

12/25/17 Pre-Stage (EXPSTGF7):

Dynasty Buffet \$83

Plaza Dragon \$543

Total: \$626

Total charges to remove is \$46,614

Audit Conclusion

Audit concurs with Eversource on all responses. Supporting journal entries, which remove the items from the Storm Reserve fund, are requested as soon as they are booked.

Audit Issue #2

Invoice Dates Not Concurrent with the Corresponding Storm Event

Background

Audit reviewed sampled invoices from vendors detailing the charges incurred for storm event related work.

Issue

The dates listed on the invoices post-dated the storm event for which they were applied.

Recommendation

Audit recommends removing the following charges from the storm reserve:

Town of Boscawen	\$	280	7/23/16 Storm
BJ's Wholesale Club		258	7/23/16 Storm
PAR Electric		<u>1,631</u>	12/29/16 Pre-Stage
Total for Audit Issue #2	\$	<u>2,169</u>	

Company Response

Town of Boscawen (\$280): The Company agree to remove \$280 related to the Boscawen police detail invoice.

BJ's Wholesale Club (\$258): The Company will agree to remove the \$258 identified in this audit issue.

PAR Electric (\$1,631): The invoice lists a line item identified as "PNC Bank" OT Costs of \$1,631. The Company was unable to identify specifically what this charge is related to and therefore will agree to remove the cost from the storm.

In summary, the Company agrees to remove the following charges:

7/23/16 Storm (MS16J006): \$538

12/29/16 Pre-Stage (EXPSTGB6): \$1,631

Total: \$2,169

Audit Conclusion

Audit concurs with Eversource on all responses.

Audit Issue #3

Incorrect Amount Charged to Storm Reserve

Background

Audit reviewed invoices and spreadsheets, provided by the Company, detailing the expenditures for the pre-stage and storm events.

Issue

The amounts listed as due for payment on the invoices and/or timesheets did not match the amount charged to the storm reserve.

Recommendation

Audit recommends removing the following payroll charges from the storm reserve:

CL&P	\$ 162	7/23/16 Storm
NE Traffic Control Services	111	12/29/16 Pre-Stage
NE Traffic Control Services	37	3/2/17 Storm
Total for Audit Issue #3	<u>\$ 310</u>	

Company Response

CL&P (\$162): The Company agrees to remove the CL&P payroll charges (\$162).

NE Traffic Control Services (\$111): One invoice is in question in this audit issue, Invoice ID 993757600000 for the Newport AWC dated 12/31/2016 totaling \$1,582. In reviewing the charges and supporting material, the Company re-calculated \$185 charged to the storm work order EXPSTGB6. The original amount charged to the storm work order was \$296 for a difference of \$111. The Company will agree to remove the \$111 from the final storm costs.

NE Traffic Control Services (\$1,318): For the Keene invoice, in reviewing the charges and supporting material, the Company re-calculated \$2,359 charged to the storm work order MS17C006. The original amount charged to the storm work order was \$2,396 for a difference of \$37. The Company will agree to remove the \$37 from the final storm costs.

In summary, the Company agrees to remove the following charges:

7/23/16 Storm (MS16J006): \$162

12/29/16 Pre-Stage (EXPSTGB6): \$111

3/2/17 Storm (MS17C006): \$37

Total: \$310

Audit Conclusion

Audit concurs with Eversource on all responses.

Audit Issue #4

Charges Not Applicable for Storm-Related Recovery

Background

Audit reviewed invoices provided by the Company detailing the expenditures for the storms. Audit then selected specific items to review to source documentation.

Issue

During Audit's review of the supporting documentation, it was determined that specific charges should not be included in the storm fund. These expenditures were for items that were deemed not applicable for recovery from the storm fund, as they are not related to the restoration of power.

Recommendation

Audit recommends removing the following charges from the storm reserve:

West Interactive Services Corporation	\$ 8,512	2/16/17 Pre-Stage
West Interactive Services Corporation	<u>11,040</u>	3/2/17 Storm
Total for Audit Issue #4	\$ <u>19,552</u>	

Company Response

The charges associated with West Interactive Services Corporation that were incurred during the weather event are incremental and would not otherwise be incurred by the Company and are not otherwise recovered via PSNH's base rates. With timely communication and feedback being an increasing demand of customers, especially regarding potential and known power outages, West Interactive's services are not only convenient and helpful for customers, they're expected. The Company has stated in the past and continues to reiterate that the Company respectfully disagrees with the finding that these are not valid storm related costs.

Audit Conclusion

Audit understands the history of the Company's disagreement with the finding and thereby suggests that the Company and the Electric Division staff address the issue directly in the next storm fund docket.

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